

DIRECT TESTIMONY AND EXHIBITS OF

DANIEL F. SULLIVAN

ON BEHALF OF

THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF

DOCKET NO. 2019-290-WS

**IN RE: APPLICATION OF BLUE GRANITE WATER COMPANY FOR
APPROVAL TO ADJUST RATE SCHEDULES AND INCREASE RATES**

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.

A. My name is Daniel F. Sullivan. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the State of South Carolina as the Deputy Director of the Audit Department for the Office of Regulatory Staff (“ORS”).

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I received a Bachelor of Science Degree in Business Administration with a major in Accounting from the University of South Carolina in December 1998. In February 2005, I began my employment with ORS and have participated in cases involving the regulation of telecommunications, electric, natural gas, radioactive waste disposal, and water and wastewater utilities.

Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA (“COMMISSION”)?

A. Yes, I have previously testified before the Commission.

Q. WHAT IS THE MISSION OF THE OFFICE OF REGULATORY STAFF?

1 **A.** ORS represents the public interest as defined by the South Carolina General
2 Assembly as:

3 [T]he concerns of the using and consuming public with respect to public
4 utility services, regardless of the class of customer, and preservation of
5 continued investment in and maintenance of utility facilities so as to provide
6 reliable and high-quality utility services.

7 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**
8 **PROCEEDING?**

9 **A.** The purpose of my testimony is to set forth ORS's findings and recommendations
10 resulting from ORS's examination of the application of Blue Granite Water Company
11 ("BGWC" or "Company") in Docket No. 2019-290-WS ("application"). The application was
12 filed on October 2, 2019.

13 **Q. WAS THE REVIEW PERFORMED BY YOU OR UNDER YOUR SUPERVISION?**

14 **A.** Yes. The review to which I testify was performed by me or under my supervision.

15 **Q. PLEASE DESCRIBE THE PROCEDURES USED TO PERFORM THE**
16 **EXAMINATION OF THE APPLICATION OF BGWC.**

17 **A.** ORS's examination of the Company's application consisted of three major steps. In
18 step one, ORS verified that the operating experience, reported by BGWC in its application,
19 was supported by BGWC's accounting books and records for the twelve months ended June
20 30, 2019 ("test year"). In the second step, ORS tested the underlying transactions to ensure
21 they were adequately supported, had a stated business purpose, were allowable for
22 ratemaking purposes, and were properly recorded. Lastly, ORS's examination consisted of
23 adjusting, as necessary, the revenues, expenditures, and capital investments to normalize the
24 Company's operating experience and rate base, in accordance with generally accepted
25 regulatory principles and prior Commission orders.

Q. PLEASE IDENTIFY THE EXHIBITS ATTACHED TO YOUR TESTIMONY.

A. I have attached the following exhibits to my testimony relating to the Company's application:

- Audit Exhibit DFS-1: Operating Experience, Rate Base and Rate of Return for Combined Operations – Water and Sewer Service Territory 1 and 2
- Audit Exhibit DFS-2: Operating Experience, Rate Base and Rate of Return for Water Service Territory 1
- Audit Exhibit DFS-3: Operating Experience, Rate Base and Rate of Return for Water Service Territory 2
- Audit Exhibit DFS-4: Operating Experience, Rate Base and Rate of Return for Sewer Service Territory 1 and 2
- Audit Exhibit DFS-5: Explanation of Accounting and Pro Forma Adjustments
- Audit Exhibit DFS-6: Depreciation and Amortization Expense Adjustments
- Audit Exhibit DFS-7: Computation of Income Taxes
- Audit Exhibit DFS-8: Cash Working Capital Allowance
- Audit Exhibit DFS-9: Return on Equity
- Audit Exhibit DFS-10: Operating Experience, Rate Base and Rate of Return for Combined Operations, Water and Sewer Service Territory 1 and 2 Reflecting the Company's Proposed Increase

These exhibits were either prepared by me or were prepared under my direction and supervision in compliance with recognized accounting and regulatory procedures for water and wastewater utility rate cases and previous Commission Orders. These exhibits show various aspects of BGWC's operations and financial position.

Q. PLEASE DESCRIBE THE FORMAT OF AUDIT EXHIBIT DFS-1 AND ELABORATE ON THE CALCULATIONS

A. Audit Exhibit DFS-1 details the Company's operating experience, rate base and rate of return for combined water and sewer operations for the test year. The exhibit's format is designed to reflect the application per books, ORS's proposed accounting and pro forma adjustments necessary to normalize the results of the Company's test year operations, and reflect ORS's adjustments necessary to achieve the return on equity recommended by ORS witness Parcell.

Column (1) details the application per books provided by BGWC for the test year. ORS verified total operating revenues of \$22,993,950, total operating expenses of \$22,928,089 and net income (loss) for return of \$238,496 to the Company's books and records. The per books rate base of \$64,157,538 produced a return on rate base of 0.37%. As shown on Audit Exhibit DFS-9, the resulting return on equity was -4.40%.

Column (2) details ORS's proposed accounting and pro forma adjustments designed to normalize the application per books. An explanation of each adjustment is contained in Audit Exhibit DFS-5.

Column (3) details ORS's results for a normalized test year for BGWC by adding columns (1) and (2). After the accounting and pro forma adjustments, net income (loss) for return of (\$755,613) was computed using total operating revenues of \$23,775,138, less total operating expenses of \$24,530,751. Total rate base of \$73,098,540 produced a return on rate base of -1.03%. As shown on Audit Exhibit DFS-9, the resulting return on equity was -7.05%.

Column (4) details ORS's adjustments to revenues, taxes and customer growth for the return on equity recommendation of ORS witness Parcell. An explanation of each adjustment is contained in Audit Exhibit DFS-5.

Column (5) details the effect of ORS's adjustments by adding columns (3) and (4). Net income for return of \$5,626,327 was computed using total operating revenues of \$32,211,091 less total operating expenses of \$26,669,258, plus customer growth of \$84,494. Total Rate Base of \$73,098,540 produced a return on rate base of 7.70%. As shown on Audit Exhibit DFS-9, the resulting return on equity was 9.45%.

Q. PLEASE EXPLAIN ORS'S RECOMMENDED ADJUSTMENTS IN AUDIT EXHIBIT DFS-5.

A. Adjustment #1 – Service Revenues – Water

ORS proposes to adjust water service revenues to reflect customer billings for the test year. Details of the annualized water service revenues are reflected in the direct testimony and exhibits of ORS witness Sandonato.

Adjustment #2 – Services Revenues – Sewer

ORS proposes to adjust sewer service revenues to reflect customer billings for the test year. Details of the annualized sewer service revenues are reflected in the direct testimony and exhibits of ORS witness Sandonato.

Adjustment #3 – Miscellaneous Revenues

ORS proposes to adjust miscellaneous revenues for the test year. Details of the miscellaneous revenues are reflected in the direct testimony and exhibits of ORS witness Sandonato.

Adjustment #4 – Uncollectible Accounts

1 ORS proposes to adjust uncollectible accounts. ORS proposes to adjust uncollectible
2 accounts associated with the Company's revenues after ORS's proposed accounting and pro
3 forma adjustments. The percentages used to calculate uncollectible accounts were provided
4 by the Company and were verified and found reasonable by ORS.

5 Adjustment #5 – Salaries and Wages - Maintenance

6 ORS proposes to annualize operator's salaries for maintenance expenses. Details of
7 this adjustment are reflected in the direct testimony of ORS witness Jackson.

8 Adjustment #6 – Capitalized Time

9 ORS proposes to adjust for capitalized time. Details of this adjustment are reflected
10 in the direct testimony of ORS witness Jackson.

11 Adjustment #7 – Purchased Power

12 No adjustment proposed by ORS for purchased power.

13 Adjustment #8 – Purchased Water and Sewer

14 ORS's total purchased water and sewer adjustment is \$3,158,206. This adjustment is
15 comprised of the following purchased water and sewer adjustments:

16 Adjustment #8a – Purchased Water and Sewer Deferral Amortization

17 ORS proposes an adjustment to reflect the amortization of deferred purchased
18 water and sewer expense increases that the Company has incurred since the last rate
19 case. Details of this adjustment are reflected in the direct testimony of ORS witness
20 Briseno.

21 Adjustment #8b – Adjust Purchased Water and Sewer Expenses Going Forward

1 ORS proposes an adjustment to reflect the cost of purchased water and sewer
2 expenses on a going forward expense level. Details of this adjustment are reflected
3 in the direct testimony of ORS witness Briseno.

4 Adjustment #9 – Maintenance and Repair

5 ORS's total maintenance and repair adjustment is \$928,551. This adjustment
6 is comprised of the following maintenance and repair adjustments:

7 Adjustment #9a – Deferred Maintenance Adjustment

8 ORS proposes an adjustment to maintenance and repair for the amortization
9 of deferred maintenance. Details of this adjustment are reflected in the direct
10 testimony of ORS witness Briseno.

11 Adjustment #9b – ClearWater Solutions – Maintenance and Repair

12 ORS proposes an adjustment to maintenance and repair for ClearWater
13 Solutions contract cost impacts. Details of this adjustment are reflected in the direct
14 testimony of ORS witness Briseno.

15 Adjustment #9c – Amortization of Litigation Deferrals, Deferred Storm Costs,
16 Decommissioning Costs and Net Book Value ("NBV") of Decommissioned Assets

17 ORS proposes an adjustment to maintenance and repair for the amortization
18 of deferred litigation expenses, deferred storm costs, decommissioning costs and the
19 NBV of decommissioned assets. Details of this adjustment are reflected in the direct
20 testimony of ORS witness Briseno.

21 Adjustment #9d – Normalize Storm Costs

ORS proposes an adjustment to maintenance and repair to normalize test year storm costs. Details of this adjustment are reflected in the direct testimony of ORS witness Bickley.

Adjustment #9e – Rebranding - Maintenance

ORS proposes an adjustment to maintenance and repair for the removal of rebranding expenses incurred within the test year. Details of this adjustment are reflected in the direct testimony of ORS witness Jackson.

Adjustment #10 - ClearWater Solutions – Maintenance Testing

ORS proposes an adjustment to maintenance testing for ClearWater Solutions contract cost impacts. Details of this adjustment are reflected in the direct testimony of ORS witness Briseno.

Adjustment #11 – Meter Reading

ORS's total meter reading adjustment is (\$72,815). This adjustment is comprised of the following meter reading adjustments:

Adjustment #11a - ClearWater Solutions – Meter Reading

ORS proposes an adjustment to meter reading for ClearWater Solutions contract cost impacts. Details of this adjustment are reflected in the direct testimony of ORS witness Briseno.

Adjustment #11b – Remove Meter Reading Expenses due to Advance Metering Infrastructure (“AMI”)

ORS proposes an adjustment to meter reading to reflect the reduction in meter reading expenses due to the deployment of AMI. Details of this adjustment are reflected in the direct testimony of ORS witness Jackson.

Adjustment #12 – Chemicals

ORS's total chemicals adjustment is (\$99,043). This adjustment is comprised of the following chemical adjustments:

Adjustment #12a - ClearWater Solutions – Chemicals

ORS proposes an adjustment to chemicals for ClearWater Solutions contract cost impacts. Details of this adjustment are reflected in the direct testimony of ORS witness Briseno.

Adjustment #12b – Remove Chemicals Associated with Decommissioned Plants

ORS proposes an adjustment to adjust test year chemical expenses for the removal of chemical expenses associated with the decommissioned Stonegate and Friarsgate treatment plants. Details of this adjustment are reflected in the direct testimony of ORS witness Jackson.

Adjustment #13 – Transportation

ORS's total transportation adjustment is (\$118,674). This adjustment is comprised of the following transportation adjustments:

Adjustment #13a - ClearWater Solutions - Transportation

ORS proposes an adjustment to transportation for ClearWater Solutions contract cost impacts. Details of this adjustment are reflected in the direct testimony of ORS witness Briseno.

Adjustment #13b – Rebranding - Transportation

ORS proposes an adjustment to transportation expenses for the removal of rebranding expenses incurred within the test year. Details of this adjustment are reflected in the direct testimony of ORS witness Jackson.

Adjustment #14 – Salaries and Wages - General

ORS proposes to annualize office employee salaries for general expenses. Details of this adjustment are reflected in the direct testimony of ORS witness Jackson.

Adjustment #15 – Office Supplies and Other Office Expenses

ORS's total office supplies and other office expenses adjustment is (\$1,564,724). This adjustment is comprised of the following office supplies and other office expense adjustments:

Adjustment #15a – Company Excluded Items

ORS proposes an adjustment to office supplies and other office expenses for the removal of expenses from the test year that the Company determined were not allowable for ratemaking purposes. The Company's adjustment of (\$1,549,457) removes an accrual posted during the test year in the amount of \$758,000 for I-20 settlement expenses, \$16,024 for Congaree River Keeper litigation, \$759,730 for vandalized site restoration, and \$15,703 for penalties, fines and contributions. ORS's adjustment of (\$1,542,022) removes the same items as the Company's but correctly removes \$8,268 of penalties, fines and contributions as recorded on the Company's books and records. The Company inadvertently removed bank charges rather than contributions in the calculation of their adjustment.

Adjustment #15b – Purchased Services Annual Filing Notices and Round-Up Inserts or Flyers

The Company proposes an adjustment to office supplies and other office expenses to include expenses for annual filing notices associated with the purchased water and sewer annual rate adjustment mechanism and bill inserts associated with

1 the Round-Up program. ORS opposes an adjustment to include expenses for annual
2 filing notices associated with the purchased water and sewer annual rate adjustment
3 as discussed in the direct testimony of ORS witness Sandonato. ORS opposes an
4 adjustment to include annual expenses associated with the Round-Up program as
5 discussed in the direct testimony of ORS witness Bickley.

6 Adjustment #15c – Non-Allowables – Office Supplies & Other Office Expenses

7 ORS proposes an adjustment to office supplies and other office expenses to
8 remove expenses within the test year that should not be allowable for ratemaking
9 purposes. Details of this adjustment are reflected in the direct testimony of ORS
10 witness Jackson.

11 Adjustment #16 – Regulatory Commission Expense

12 ORS's total regulatory commission expense adjustment is \$56,437. This adjustment
13 is comprised of the following regulatory commission expense adjustments:

14 Adjustment #16a – Rate Case Expenses

15 ORS proposes an adjustment to regulatory commission expense for the
16 amortization of rate case expenses over a three (3) year period. The Company's
17 adjustment includes \$227,077 of rehearing expenses, \$152,196 of 2017 and prior
18 unamortized rate case expenses as of December 31, 2019, and current estimated rate
19 case expenses of \$258,000, for total rate case expenses of \$637,273. The Company's
20 per book rate case expense amount was \$108,294, resulting in a Company adjustment
21 of \$104,130. ORS's adjustment includes \$232,435 of rehearing expenses based on
22 updated supporting documentation provided by the Company and \$116,608 of prior
23 unamortized rate case expenses as of April 30, 2020. ORS's adjustment also includes

1 actual incurred current rate case expenses based on supporting documentation
2 provided by the Company as of the audit cutoff date of December 20, 2019 of
3 \$145,148, for total rate case expenses of \$494,191. ORS's calculation of current rate
4 case expenses includes legal expenses of \$36,864 associated with Docket Nos. 2018-
5 358-WS and 2018-361-WS and Company provided supporting documentation as of
6 December 20, 2019. The Company's per book rate case expense amount was
7 \$108,294, resulting in an ORS adjustment of \$56,437.

8 Adjustment #16b – Purchased Services – Annual Rate Adjustment Mechanism Legal
9 Fees

10 The Company proposes an adjustment to regulatory commission expense to
11 include annual legal expenses associated with the purchased water and sewer annual
12 rate adjustment mechanism. ORS opposes this adjustment as discussed in the direct
13 testimony of ORS witness Sandonato.

14 Adjustment #17 – Pension & Other Benefits

15 ORS's total pension and other benefits adjustment is (\$165,041). This adjustment is
16 comprised of the following pension and other benefits adjustments:

17 Adjustment #17a – Pension & Other Benefits

18 ORS proposes an adjustment to annualize pension and other benefits
19 associated with pro forma salaries. Details of this adjustment are reflected in the
20 direct testimony of ORS witness Jackson.

21 Adjustment #17b – Service Awards

1 ORS proposes an adjustment to pension and other benefits to remove service
2 awards for ratemaking purposes. Details of this adjustment are reflected in the direct
3 testimony of ORS witness Jackson.

4 Adjustment #18 – Rent

5 ORS proposes an adjustment in the amount of \$84,839 to rent expense for pro forma
6 annualized leases. The Company adjusted for the pro forma annualized leases associated
7 with the following locations: Rock Hill office and warehouse, Anderson office, Greenville
8 office, Water Service Corporation (“WSC”) Public Storage, and WSC office. The Company
9 proposes an adjustment of \$95,826. The variance is attributable to the ORS proposal to
10 decrease the Greenville office annual lease expense by \$11,019, to correctly allocate lease
11 expense for 2 employees that are assigned to the Atlantic Division based on Company
12 response to Audit Request #17 which stated only 34.94% of their duties are applicable to
13 BGWC, and proposing to increase the WSC Public Storage annual lease expense charged to
14 BGWC by \$33 based upon the lease agreement.

15 Adjustment #19 – Insurance

16 ORS proposes an adjustment in the amount of \$163,371 to insurance to reflect the
17 most recent insurance policy premiums and deductible expenses. The Company proposes an
18 adjustment in the amount of \$201,243 to per book insurance expense based on policy
19 premiums and deductible expenses as of the filing of the application. ORS proposes an
20 adjustment to per book insurance expense based upon the Company’s responses to ORS
21 Audit Request #11 as of November 15, 2019. That update, as provided by the Company,
22 results in an increase to the Company’s per book insurance expense of \$166,273. ORS then
23 proposes to increase the updated insurance expense by \$5,460 based upon the insurance

1 policy supporting information provided by the Company and decrease the updated insurance
2 expense by \$8,361 to remove an estimated increase to deductibles of 10%. ORS proposes to
3 use the level of actual known and measurable 2019 deductibles in the calculation of the ORS
4 adjustment to per book insurance expense.

5 Adjustment #20 - ClearWater Solutions – Lawn Care

6 ORS proposes an adjustment to office utilities for ClearWater Solutions contract cost
7 impacts. Details of this adjustment are reflected in the direct testimony of ORS witness
8 Briseno.

9 Adjustment #21 – Outside Services - Other

10 ORS's total outside services adjustment is (\$196,091). This adjustment is comprised
11 of the following outside services adjustments:

12 Adjustment #21a – Outside Services – Annualize Corix Allocations

13 ORS proposes an adjustment in the amount of (\$341,915) to outside services
14 to reflect the annualized Corix corporate cost allocations. The Company proposes an
15 adjustment of (\$362,759), calculated by annualizing the first and second quarters of
16 2019 for a total of \$426,283, less per book management fees of \$789,042. The ORS
17 adjustment is calculated by annualizing the first, second and third quarters of 2019
18 as provided by the Company in response to Audit Request #18 for a total of \$447,126,
19 less per book management fees of \$789,042.

20 The Company provided the Corix Group of Companies Cost Allocation
21 Manual ("CAM"), which provides an explanation of services performed and the
22 methods used to allocate indirect costs to the operating businesses. ORS reviewed
23 the CAM and verified the methods specified in the CAM to allocate costs were

1 followed by the Company to calculate the allocation of costs to BGWC. Corporate
2 services performed by Corix for its operating businesses include communications,
3 finance, information technology, human resources, legal, and chief executive officer
4 functions. ORS found the allocation of Corix corporate costs to BGWC for this
5 docket to be reasonable.

6 ORS will continue to examine, test and analyze the corporate services
7 performed, the costs incurred by Corix, and the allocation of those costs to BGWC
8 in future dockets to ensure they continue to be reasonable and beneficial for BGWC
9 customers.

10 Adjustment #21b – AMI Data Support, York County Franchise Fees and York
11 County Asset Lease

12 ORS proposes an adjustment to outside services to reflect the cost of AMI
13 data support, York County franchise fees and York County asset leases. Details of
14 this adjustment are reflected in the direct testimony of ORS witness Jackson.

15 Adjustment #21c – Reclassify Annual Rate Adjustment Mechanism and Pumping
16 Interceptor Tank Legal Expenses to Rate Case Expenses

17 ORS proposes to remove legal expenses associated with the annual rate
18 adjustment mechanism and pumping interceptor tanks of \$36,864 from test year legal
19 expenses and reclassify them as current rate case expenses as part of ORS Adjustment
20 #16a to be amortized over a three-year period. The Company withdrew its petition
21 in Docket Nos. 2018-358-WS and 2018-361-WS and has included the requests as
22 part of this docket.

23 Adjustment #21d – Rebranding- Outside Services - Other

1 ORS proposes an adjustment to outside services for the removal of rebranding
2 expenses incurred within the test year. Details of this adjustment are reflected in the
3 direct testimony of ORS witness Jackson.

4 Adjustment #21e – Remove Legal Expenses - Outside Services - Other

5 ORS proposes an adjustment in the amount of (\$22,210) to outside services
6 for the removal of legal expenses recorded in Account 6025 – Legal Fees during the
7 test year.

8 ORS proposes to remove and defer \$31,788 of legal expenses associated with
9 civil actions that have not yet concluded. ORS also proposes to remove \$151,589 of
10 legal expenses associated with Congaree River Keeper litigation that were not
11 removed by the Company. The Commission deemed legal expenses for the Congaree
12 River Keeper (“CRK”) litigation as not recoverable by the Company from customers
13 in Order No. 2020-57. In addition, ORS proposes to add back \$168,310 to eliminate
14 the effects of transactions related to I-20 condemnation. This is comprised of legal
15 fees of \$7,844 and a credit in the amount of \$176,154 the Company posted to Account
16 6025 for reimbursement from the Town of Lexington for a previous condemnation
17 attempt in the early 2000’s (2001-CP-32-0711). ORS will continue to review the
18 appropriate accounting treatment for the reimbursement and reserves its rights to
19 make further recommendations. The Company is not seeking treatment of I-20
20 condemnation related expenses as part of the determination of the Company’s
21 revenue requirement. ORS also proposes to remove \$7,143 of legal expenses for
22 services performed outside of the test year.

23 Adjustment #22 – Non-Utility Miscellaneous Expense

1 ORS proposes an adjustment in the amount of (\$442,691) to remove non-utility
2 activity from the test year. The activity is related to CRK litigation and Commission ordered
3 adjustments.

4 Adjustment #23 – Miscellaneous

5 ORS's total miscellaneous adjustment is \$4,566. This adjustment is comprised of the
6 following miscellaneous adjustments:

7 Adjustment #23a – Customer Deposit Interest Expense

8 ORS proposes an adjustment in the amount of \$11,244 to miscellaneous to
9 include interest expense on customer deposits. ORS has included customer deposits
10 as an offset to rate base and this adjustment includes interest on the deposits to avoid
11 charging the Company twice for accrued interest.

12 Adjustment #23b – Non-Allowables - Miscellaneous

13 ORS proposes an adjustment to miscellaneous for expenses within the test
14 year that should not be allowable for ratemaking purposes. Details of this adjustment
15 are reflected in the direct testimony of ORS witness Jackson.

16 Adjustment #24 – Depreciation Expense

17 ORS proposes an adjustment to annualize depreciation expense for known and
18 measurable plant in service. Details of this adjustment are reflected in Audit Exhibit DFS-6
19 and the direct testimony of ORS witness Briseno.

20 Adjustment #25 – Amortization of Contributions in Aid of Construction (“CIAC”)

21 ORS proposes an adjustment to the amortization of CIAC for known and measurable
22 changes. Details of this adjustment are reflected in Audit Exhibit DFS-6 and the direct
23 testimony of ORS witness Briseno.

Adjustment #26 – Taxes Other Than Income

ORS's total taxes other than income adjustment is \$356,303. This adjustment is comprised of the following taxes other than income adjustments:

Adjustment #26a – Payroll Taxes

ORS proposes an adjustment to taxes other than income to reflect the payroll taxes associated with the pro forma adjusted salaries & wages. Details of this adjustment are reflected in the direct testimony of ORS witness Jackson.

Adjustment #26b – Gross Receipts Taxes

ORS proposes an adjustment to taxes other than income to reflect gross receipts taxes after the adjustments to accounting and pro forma revenue using a factor of .00527282.

Adjustment #26c – Pro Forma Property Taxes

ORS proposes to adjust taxes other than income for property taxes on pro forma plant balances. Details of this adjustment are reflected in the direct testimony of ORS witness Briseno.

Adjustment #27 – Federal Income Taxes

ORS proposes to adjust federal income taxes after accounting and pro forma adjustments using the federal income tax rate of 21%. In addition, ORS and the Company propose to reduce the calculated federal income taxes by the amortization of protected and unprotected Excess Deferred Income Taxes ("EDIT"). The amortization of EDIT reduces federal income taxes by \$129,064, which is comprised of \$50,402 related to protected EDIT and \$78,662 related to unprotected EDIT. The amortization of EDIT of \$129,064 in this docket differs from the amount ordered by the Commission of \$136,924 in Docket No. 2017-

292-WS due to the tax net operating loss (“NOL”) balance for the Company per the 2017 tax return. Based on Audit Request #20, the original entry booked in December 2017 to re-measure Accumulated Deferred Income Taxes did not include a component for NOL re-measurement. ORS accepts the Company’s calculation of \$129,064 for the amortization of EDIT that is included as a reduction to federal income taxes in this docket. Details of this adjustment are reflected in Audit Exhibit DFS-7.

Adjustment #28 – State Income Taxes

ORS proposes to adjust state income taxes after accounting and pro forma adjustments using the state income tax rate of 5%. Details of this adjustment are reflected in Audit Exhibit DFS-7.

Adjustment #29 – Sale of Utility Property

ORS proposes an adjustment in the amount of \$20,253 to remove the sale of utility property from the test year for ratemaking purposes.

Adjustment #30 – Customer Growth

No accounting and pro forma adjustment proposed for customer growth.

Adjustment #31 – Interest During Construction (“IDC”)

ORS proposes an adjustment in the amount of \$172,635 to remove IDC from the test year for rate making purposes. Construction work in progress is not included in rate base.

Adjustment #32 – Gross Plant in Service

ORS proposes an adjustment to gross plant in service to reflect plant additions and retirements since the last rate case. Details of this adjustment are reflected in Audit Exhibit DFS-6 and the direct testimony of ORS witness Briseno.

Adjustment #33 – Accumulated Depreciation

1 ORS proposes an adjustment to accumulated depreciation to reflect the updated gross
2 plant in service. Details of this adjustment are reflected in the direct testimony of ORS
3 witness Briseno.

4 Adjustment #34 – Deferred Charges

5 ORS's total deferred charges adjustment is \$4,827,755. This adjustment is comprised
6 of the following deferred charges adjustments:

7 Adjustment #34a – Unamortized Balance for Deferred Maintenance

8 The Company proposes an adjustment of \$348,417 to include the
9 unamortized balance of proposed deferred maintenance in deferred charges in rate
10 base. The Company's adjustment included an unamortized amount of \$49,167 related
11 to a wastewater treatment plant tank recoating and \$299,250 related to hydrotank
12 inspections.

13 The Company did not provide any supporting documentation for the
14 wastewater treatment plant tank recoating. The Company did provide supporting
15 documentation for \$314,630 for the hydrotank inspections. ORS has included annual
16 amortization of \$62,926 for the hydrotank inspections as part of ORS Adjustment
17 #9a as reflected in the direct testimony of ORS witness Briseno. ORS's calculated
18 unamortized balance for the hydrotank inspections is \$251,704.

19 ORS does not propose to include the unamortized balance of \$251,704 for
20 the hydrotank inspections in deferred charges as it is ORS's position that unamortized
21 balances for deferred maintenance should not be included in rate base. ORS's
22 position and treatment are consistent with the treatment of deferred maintenance for

Carolina Water Service rate case Docket Nos. 2015-199-WS and 2017-292-WS, and for Kiawah Island Utility, Inc. rate case Docket No. 2018-257-WS.

Adjustment #34b – Unamortized Balances for Decommissioned Assets, NBV on Decommissioned Assets and EDIT

ORS proposes an adjustment to deferred charges to include the unamortized balances of removal costs on decommissioned assets, NBV on decommissioned assets, and EDIT. Details of this adjustment are reflected in the direct testimony of ORS witness Briseno.

Adjustment #35 – Cash Working Capital

ORS's total cash working capital adjustment is (\$303,251). This adjustment is comprised of the following cash working capital adjustments:

Adjustment #35a – Cash Working Capital

ORS proposes an adjustment to reflect cash working capital after accounting and pro forma adjustments. ORS and the Company used a 45-day allowance or 1/8 of maintenance and general expenses for the cash working capital adjustment. See Audit Exhibit DFS-8 for details of this adjustment.

Adjustment #35b – Cash Working Capital Rate Mitigation

ORS proposes to remove purchased services from the calculation of cash working capital. The Company's adjustment for the removal of purchased services is a reduction to cash working capital of \$1,105,254. ORS requested the Company to explain the change in methodology for calculating cash working capital from Carolina Water Service Docket Nos. 2015-199-WS and 2017-292-WS. The Company's response to Audit Request #26 indicated the Company removed

1 purchased services expenses as that is the practice with the Company's North
2 Carolina affiliate. Additionally, the Company proposed this adjustment to mitigate
3 the overall rate request.

4 The Company's methodology is consistent with the treatment of purchased
5 services when calculating cash working capital in North Carolina. In addition, the
6 Company's methodology is consistent with the exclusion of purchased power from
7 the calculation of cash working capital in South Carolina electric rate case dockets
8 and the exclusion of purchased gas from the calculation of cash working capital in
9 South Carolina Rate Stabilization Act dockets.

10 ORS accepts the Company's methodology in this docket to calculate cash
11 working capital. ORS's adjustment to remove purchased services from the
12 calculation of cash working capital results in a reduction to cash working capital of
13 \$1,053,116. Details of this adjustment are reflected in Audit Exhibit DFS-8.

14 Adjustment #36 – CIAC

15 ORS proposes an adjustment to CIAC to reflect the amortization of CIAC, pro forma
16 CIAC additions, and decommissioned plant. Details of this adjustment are reflected in Audit
17 Exhibit DFS-6 and the direct testimony of ORS witness Briseno.

18 Adjustment #37 – Plant Held for Future Use

19 The Company proposes an adjustment to include the costs associated with a land
20 purchase after the test year in plant held for future use. ORS opposes this adjustment. Details
21 for plant held for future use are reflected in the direct testimony of ORS witness Briseno.

22 Adjustment #38 – Excess Book Value

1 ORS proposes an adjustment to remove excess book value for ratemaking purposes.

2 Details of this adjustment are reflected in the direct testimony of ORS witness Briseno.

3 Adjustment #39 – Interest Expense

4 ORS proposes to adjust interest expense. ORS proposes an adjustment to synchronize
5 interest expense with rate base after accounting and pro forma adjustments, using the
6 capitalization ratio of 47.09% for long-term debt and 52.91% for equity, with a cost of debt
7 of 5.73%. ORS calculated synchronized interest expense of \$1,972,386, less the Company's
8 per book interest expense of \$1,828,315, yields an ORS adjustment of \$144,071.

9 Adjustment #40 – ORS Adjustment - Service Revenues – Water

10 ORS proposes to adjust water service revenues for the return on equity
11 recommendation of ORS witness Parcell. Details of the proposed water service revenues are
12 reflected in the direct testimony and exhibits of ORS witness Sandonato.

13 Adjustment #41 – ORS Adjustment – Service Revenues – Sewer

14 ORS proposes to adjust sewer service revenues for the return on equity
15 recommendation of ORS witness Parcell. Details of the proposed water service revenues are
16 reflected in the direct testimony and exhibits of ORS witness Sandonato.

17 Adjustment #42 – ORS Adjustment – Miscellaneous Revenues

18 ORS proposes to adjust miscellaneous revenues. Details of the proposed
19 miscellaneous revenues are reflected in the direct testimony and exhibits of ORS witness
20 Sandonato.

21 Adjustment #43 – ORS Adjustment – Uncollectible Accounts

1 ORS proposes to adjust uncollectible accounts for ORS's adjustments to revenues.
2 The percentages used to calculate uncollectible accounts were provided by the Company and
3 were verified and found reasonable by ORS.

4 Adjustment #44 – ORS Adjustment – Taxes Other than Income – Gross Receipts

5 ORS proposes an adjustment to gross receipts taxes after ORS's adjustments to
6 revenues using a factor of .00527282.

7 Adjustment #45 – ORS Adjustment – Federal Income Taxes

8 ORS proposes to adjust federal income taxes after ORS's adjustments to revenues
9 and gross receipts taxes using the federal income tax rate of 21%. In addition, ORS proposes
10 to reduce the calculated federal income taxes by the amortization of protected and
11 unprotected Excess Deferred Income Taxes EDIT as discussed in ORS Adjustment #27.
12 Details of this adjustment are reflected in Audit Exhibit DFS-7.

13 Adjustment #46 – ORS Adjustment – State Income Taxes

14 ORS proposes to adjust state income taxes after ORS's adjustments to revenues and
15 gross receipts taxes using the state income tax rate of 5%. Details of this adjustment are
16 reflected in Audit Exhibit DFS-7.

17 Adjustment #47 – ORS Adjustment – Customer Growth

18 ORS proposes to adjust for customer growth after ORS's adjustments to revenues
19 and taxes. The growth factors of 2.0392% for water territory 1, 0.0904% for water territory
20 2 and 2.0076% for sewer are discussed in the direct testimony of ORS witness Sandonato.

21 **Q. PLEASE DESCRIBE THE REMAINING AUDIT EXHIBITS.**

22 **A.** Audit Exhibit DFS-6 details the computation of ORS's depreciation and
23 amortization expense adjustments for plant in service and CIAC. Audit Exhibit DFS-7

1 details the computation of income taxes. Audit Exhibit DFS-8 details the calculation of the
2 cash working capital allowance. Audit Exhibit DFS-9 details the calculation of return on
3 equity. Audit Exhibit DFS-10 details the Company's operating experience, rate base and
4 rate of return for combined, water and sewer service territory 1 and 2 for the test year. The
5 exhibit's format is designed to reflect the application per books and ORS's proposed
6 accounting and pro forma adjustments necessary to normalize the results of the Company's
7 test year operations and to reflect ORS's recalculation of the Company's proposed rate
8 increase.

9 **Q. DID THE COMPANY ADDRESS THE TREATMENT OF EXCESS REVENUES**
10 **AS A RESULT OF THE 2017 TAX CUTS AND JOBS ACT?**

11 **A.** Yes. In the application, the Company seeks Commission authority to initiate a one-
12 time credit of \$10.64 to each customer water and sewer service account, to return
13 overcollections of federal tax expenses accumulated January 1, 2018 to June 28, 2018. ORS
14 reviewed the Company's calculations and verified the overcollection of \$335,713 using the
15 revenues and expenses in Commission Order No. 2015-876. Using updated pro forma
16 customer bills of 31,710, ORS calculates a one-time credit of \$10.59 per account.

17 **Q. WILL YOU UPDATE YOUR TESTIMONY BASED ON INFORMATION THAT**
18 **BECOMES AVAILABLE?**

19 **A.** Yes. ORS fully reserves the right to revise its recommendations via supplemental
20 testimony should new information become available not previously provided by the
21 Company.

22 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

23 **A.** Yes, it does.

Blue Granite Water Company
Operating Experience, Rate Base and Rate of Return
Combined Operations - Water and Sewer Service Territory 1 & 2
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

Description	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) After Accounting & Pro Forma Present \$	(4) ORS Adjustments \$	(5) After ORS Adjustments \$
<u>Operating Revenues</u>					
Service Revenues - Water	11,868,922	280,468	(1) 12,149,390	3,813,184	(40) 15,962,574
Service Revenues - Sewer	10,929,933	504,321	(2) 11,434,254	4,645,341	(41) 16,079,595
Miscellaneous Revenues	445,566	4,043	(3) 449,609	66,737	(42) 516,346
Uncollectible Accounts	(250,471)	(7,644)	(4) (258,115)	(89,309)	(43) (347,424)
Total Operating Revenues	22,993,950	781,188	23,775,138	8,435,953	32,211,091
<u>Maintenance Expenses</u>					
Salaries and Wages	2,670,783	(1,344,062)	(5) 1,326,721	0	1,326,721
Capitalized Time	(333,423)	73,614	(6) (259,809)	0	(259,809)
Purchased Power	771,660	0	(7) 771,660	0	771,660
Purchased Sewer and Water - Pass Through	5,266,724	3,158,206	(8) 8,424,930	0	8,424,930
Maintenance and Repair	3,031,412	928,551	(9) 3,959,963	0	3,959,963
Maintenance Testing	314,455	(174,416)	(10) 140,039	0	140,039
Meter Reading	112,607	(72,815)	(11) 39,792	0	39,792
Chemicals	360,819	(99,043)	(12) 261,776	0	261,776
Transportation	238,985	(118,674)	(13) 120,311	0	120,311
Operating Exp. Charged to Plant	0	0	0	0	0
Total Maintenance Expenses	12,434,022	2,351,361	14,785,383	0	14,785,383
<u>General Expenses</u>					
Salaries and Wages	871,623	538,807	(14) 1,410,430	0	1,410,430
Office Supplies & Other Office Exp	1,980,731	(1,564,724)	(15) 416,007	0	416,007
Regulatory Commission Exp.	138,293	56,437	(16) 194,730	0	194,730
Pension & Other Benefits	779,623	(165,041)	(17) 614,582	0	614,582
Rent	97,022	84,839	(18) 181,861	0	181,861
Insurance	348,323	163,371	(19) 511,694	0	511,694
Office Utilities	491,952	(98,634)	(20) 393,318	0	393,318
Outside Services - Other	1,062,984	(196,091)	(21) 866,893	0	866,893
Non-Utility Misc Expense	442,691	(442,691)	(22) 0	0	0
Miscellaneous	61,301	4,566	(23) 65,867	0	65,867
Total General Expenses	6,274,543	(1,619,161)	4,655,382	0	4,655,382
<u>Other Expenses</u>					
Depreciation	1,788,412	1,494,488	(24) 3,282,900	0	3,282,900
Amortization of CIAC	(406,510)	(538,846)	(25) (945,356)	0	(945,356)
Taxes Other Than Income	3,499,587	356,303	(26) 3,855,890	44,952	(44) 3,900,842
Income Taxes - Federal	(431,984)	(456,552)	(27) (888,536)	1,674,004	(45) 785,468
Income Taxes - State	(185,161)	(5,184)	(28) (190,345)	419,551	(46) 229,206
Sale of Utility Property	(20,253)	20,253	(29) 0	0	0
Amort. Investment Tax Credit	(8,854)	0	(8,854)	0	(8,854)
Amortization of PAA	(15,713)	0	(15,713)	0	(15,713)
Total Other Expenses	4,219,524	870,462	5,089,986	2,138,507	7,228,493
Total Operating Expenses	22,928,089	1,602,662	24,530,751	2,138,507	26,669,258
Net Operating Income	65,861	(821,474)	(755,613)	6,297,446	5,541,833
Customer Growth	0	0	(30) 0	84,494	(47) 84,494
Interest During Construction	(172,635)	172,635	(31) 0	0	0
Net Income (Loss) For Return	238,496	(994,109)	(755,613)	6,381,940	5,626,327
<u>Original Cost Rate Base:</u>					
Gross Plant In Service	103,656,698	415,288	(32) 104,071,986	0	104,071,986
Accumulated Depreciation	(16,190,845)	3,337,761	(33) (12,853,084)	0	(12,853,084)
Net Plant In Service	87,465,853	3,753,049	91,218,902	0	91,218,902
Deferred Charges	0	4,827,755	(34) 4,827,755	0	4,827,755
Cash Working Capital	1,680,231	(303,251)	(35) 1,376,980	0	1,376,980
Contributions In Aid of Construction	(20,300,003)	1,128,095	(36) (19,171,908)	0	(19,171,908)
Accumulated Deferred Income Taxes	(3,522,916)	0	(3,522,916)	0	(3,522,916)
Customer Deposits	(334,350)	0	(334,350)	0	(334,350)
Plant Held for Future Use	0	0	(37) 0	0	0
Plant Acquisition Adjustment	(831,277)	0	(831,277)	0	(831,277)
Excess Book Value	0	(464,646)	(38) (464,646)	0	(464,646)
Total Rate Base	64,157,538	8,941,002	73,098,540	0	73,098,540
Return on Rate Base	0.37%		-1.03%		7.70%
Operating Margin	-6.91%		-11.47%		11.34%
Interest Expense	1,828,315	144,071	(39) 1,972,386	0	1,972,386

Blue Granite Water Company
Operating Experience, Rate Base and Rate of Return
Water Service Territory 1
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

<u>Description</u>	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) After Accounting & Pro Forma Present \$	(4) ORS Adjustments \$	(5) After ORS Adjustments \$
<u>Operating Revenues</u>					
Service Revenues - Water	6,307,416	272,372 (1)	6,579,788	2,632,059 (40)	9,211,847
Miscellaneous Revenues	84,940	(290) (3)	84,650	9,249 (42)	93,899
Uncollectible Accounts	(62,865)	(2,933) (4)	(65,798)	(26,320) (43)	(92,118)
<u>Total Operating Revenues</u>	6,329,491	269,149	6,598,640	2,614,988	9,213,628
<u>Maintenance Expenses</u>					
Salaries and Wages	842,497	(484,042) (5)	358,455	0	358,455
Capitalized Time	(101,347)	25,726 (6)	(75,621)	0	(75,621)
Purchased Power	72,278	0 (7)	72,278	0	72,278
Purchased Water - Pass Through	2,859,944	671,519 (8)	3,531,463	0	3,531,463
Maintenance and Repair	628,927	578,060 (9)	1,206,987	0	1,206,987
Maintenance Testing	40,064	(33,212) (10)	6,852	0	6,852
Meter Reading	31,148	(44,196) (11)	(13,048)	0	(13,048)
Chemicals	132,225	(25,360) (12)	106,865	0	106,865
Transportation	84,341	(42,445) (13)	41,896	0	41,896
Operating Exp. Charged to Plant	0	0	0	0	0
<u>Total Maintenance Expenses</u>	4,590,077	646,050	5,236,127	0	5,236,127
<u>General Expenses</u>					
Salaries and Wages	308,198	191,693 (14)	499,891	0	499,891
Office Supplies & Other Office Exp	788,991	(644,604) (15)	144,387	0	144,387
Regulatory Commission Exp.	48,900	20,090 (16)	68,990	0	68,990
Pension & Other Benefits	275,491	(94,905) (17)	180,586	0	180,586
Rent	25,824	30,338 (18)	56,162	0	56,162
Insurance	123,183	58,173 (19)	181,356	0	181,356
Office Utilities	167,049	(35,121) (20)	131,928	0	131,928
Outside Services - Other	374,956	(61,206) (21)	313,750	0	313,750
Non-Utility Misc Expense	156,637	(156,637) (22)	0	0	0
Miscellaneous	21,275	1,217 (23)	22,492	0	22,492
<u>Total General Expenses</u>	2,290,504	(690,962)	1,599,542	0	1,599,542
Depreciation	464,276	539,028 (24)	1,003,304	0	1,003,304
Amortization of CIAC	(164,957)	(467,848) (25)	(632,805)	0	(632,805)
Taxes Other Than Income	1,111,788	132,546 (26)	1,244,334	13,927 (44)	1,258,261
Income Taxes - Federal	(154,415)	(312,611) (27)	(467,026)	518,912 (45)	51,886
Income Taxes - State	(99,023)	(8,389) (28)	(107,412)	130,053 (46)	22,641
Sale of Utility Property	(29,922)	29,922 (29)	0	0	0
Amort. Investment Tax Credit	(4,214)	0	(4,214)	0	(4,214)
Amortization of PAA	(13,504)	0	(13,504)	0	(13,504)
<u>Total Other Expenses</u>	1,110,029	(87,352)	1,022,677	662,892	1,685,569
<u>Total Operating Expenses</u>	7,990,610	(132,264)	7,858,346	662,892	8,521,238
<u>Net Operating Income</u>	(1,661,119)	401,413	(1,259,706)	1,952,096	692,390
Customer Growth	0	0 (30)	0	14,119 (47)	14,119
Interest During Construction	(74,253)	74,253 (31)	0	0	0
<u>Net Income (Loss) For Return</u>	(1,586,866)	327,160	(1,259,706)	1,966,215	706,509
<u>Original Cost Rate Base:</u>					
Gross Plant In Service	25,669,070	1,152,082 (32)	26,821,152	0	26,821,152
Accumulated Depreciation	(5,359,140)	1,188,052 (33)	(4,171,088)	0	(4,171,088)
Net Plant In Service	20,309,930	2,340,134	22,650,064	0	22,650,064
Deferred Charges	0	(168,200) (34)	(168,200)	0	(168,200)
Cash Working Capital	502,580	(89,554) (35)	413,026	0	413,026
Contributions In Aid of Construction	(8,780,986)	(565,679) (36)	(9,346,665)	0	(9,346,665)
Accumulated Deferred Income Taxes	(964,199)	0	(964,199)	0	(964,199)
Customer Deposits	(105,884)	0	(105,884)	0	(105,884)
Plant Held for Future Use	0	0 (37)	0	0	-
Plant Acquisition Adjustment	(614,752)	0	(614,752)	0	(614,752)
Excess Book Value	0	(223,030) (38)	(223,030)	0	(223,030)
<u>Total Rate Base</u>	10,346,689	1,293,671	11,640,360	0	11,640,360
<u>Return on Rate Base</u>	-15.34%		-10.82%		6.07%
<u>Operating Margin</u>	-33.96%		-23.85%		4.26%
<u>Interest Expense</u>	562,651	(248,564) (39)	314,087	0	314,087

Blue Granite Water Company
Operating Experience, Rate Base and Rate of Return
Water Service Territory 2
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

<u>Description</u>	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) After Accounting & Pro Forma Present \$	(4) ORS Adjustments \$	(5) After ORS Adjustments \$
<u>Operating Revenues</u>					
Service Revenues - Water	5,561,506	8,096 (1)	5,569,602	1,181,125 (40)	6,750,727
Miscellaneous Revenues	115,189	0 (3)	115,189	7,425 (42)	122,614
Uncollectible Accounts	(77,873)	(101) (4)	(77,974)	(16,536) (43)	(94,510)
<u>Total Operating Revenues</u>	5,598,822	7,995	5,606,817	1,172,014	6,778,831
<u>Maintenance Expenses</u>					
Salaries and Wages	668,288	(264,947) (5)	403,341	0	403,341
Capitalized Time	(71,806)	12,190 (6)	(59,616)	0	(59,616)
Purchased Power	180,096	0 (7)	180,096	0	180,096
Purchased Water - Pass Through	761,771	76,069 (8)	837,840	0	837,840
Maintenance and Repair	440,252	261,585 (9)	701,837	0	701,837
Maintenance Testing	97,005	(48,101) (10)	48,904	0	48,904
Meter Reading	45,376	(9,488) (11)	35,888	0	35,888
Chemicals	54,966	(14,317) (12)	40,649	0	40,649
Transportation	52,482	(25,511) (13)	26,971	0	26,971
Operating Exp. Charged to Plant	0	0	0	0	0
<u>Total Maintenance Expenses</u>	2,228,430	(12,520)	2,215,910	0	2,215,910
<u>General Expenses</u>					
Salaries and Wages	192,149	115,859 (14)	308,008	0	308,008
Office Supplies & Other Office Exp	270,298	(175,329) (15)	94,969	0	94,969
Regulatory Commission Exp.	30,488	12,104 (16)	42,592	0	42,592
Pension & Other Benefits	172,239	(5,031) (17)	167,208	0	167,208
Rent	38,829	17,965 (18)	56,794	0	56,794
Insurance	76,740	35,004 (19)	111,744	0	111,744
Office Utilities	110,492	(21,368) (20)	89,124	0	89,124
Outside Services - Other	235,453	(90,834) (21)	144,619	0	144,619
Non-Utility Misc Expense	97,387	(97,387) (22)	0	0	0
Miscellaneous	14,337	1,626 (23)	15,963	0	15,963
<u>Total General Expenses</u>	1,238,412	(207,391)	1,031,021	0	1,031,021
Depreciation	408,578	389,640 (24)	798,218	0	798,218
Amortization of CIAC	(7,201)	(25,453) (25)	(32,654)	0	(32,654)
Taxes Other Than Income	992,688	103,809 (26)	1,096,497	6,267 (44)	1,102,764
Income Taxes - Federal	(33,770)	(2,746) (27)	(36,516)	232,566 (45)	196,050
Income Taxes - State	23,613	(23,313) (28)	300	58,288 (46)	58,588
Sale of Utility Property	(18,297)	18,297 (29)	0	0	0
Amort. Investment Tax Credit	0	0	0	0	0
Amortization of PAA	1,564	0	1,564	0	1,564
<u>Total Other Expenses</u>	1,367,175	460,234	1,827,409	297,121	2,124,530
<u>Total Operating Expenses</u>	4,834,017	240,323	5,074,340	297,121	5,371,461
<u>Net Operating Income</u>	764,805	(232,328)	532,477	874,893	1,407,370
Customer Growth	0	0 (30)	0	1,272 (47)	1,272
Interest During Construction	(5,925)	5,925 (31)	0	0	0
<u>Net Income (Loss) For Return</u>	770,730	(238,253)	532,477	876,165	1,408,642
<u>Original Cost Rate Base:</u>					
Gross Plant In Service	22,208,337	1,053,999 (32)	23,262,336	0	23,262,336
Accumulated Depreciation	(3,277,394)	342,050 (33)	(2,935,344)	0	(2,935,344)
Net Plant In Service	18,930,943	1,396,049	20,326,992	0	20,326,992
Deferred Charges	0	(601,264) (34)	(601,264)	0	(601,264)
Cash Working Capital	338,134	(36,998) (35)	301,136	0	301,136
Contributions In Aid of Construction	(351,720)	(40,910) (36)	(392,630)	0	(392,630)
Accumulated Deferred Income Taxes	(1,239,587)	0	(1,239,587)	0	(1,239,587)
Customer Deposits	(90,717)	0	(90,717)	0	(90,717)
Plant Held for Future Use	0	0 (37)	0	0	0
Plant Acquisition Adjustment	(134,480)	0	(134,480)	0	(134,480)
Excess Book Value	0	0 (38)	0	0	0
<u>Total Rate Base</u>	17,452,573	716,877	18,169,450	0	18,169,450
<u>Return on Rate Base</u>	4.42%		2.93%		7.75%
<u>Operating Margin</u>	4.29%		0.75%		13.55%
<u>Interest Expense</u>	530,582	(40,324) (39)	490,258	0	490,258

Blue Granite Water Company
Operating Experience, Rate Base and Rate of Return
Sewer Service Territory 1 and 2
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

<u>Description</u>	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) After Accounting & Pro Forma Present \$	(4) ORS Adjustments \$	(5) After ORS Adjustments \$
<u>Operating Revenues</u>					
Service Revenues - Sewer	10,929,933	504,321 (2)	11,434,254	4,645,341 (41)	16,079,595
Miscellaneous Revenues	245,437	4,333 (3)	249,770	50,063 (42)	299,833
Uncollectible Accounts	(109,733)	(4,610) (4)	(114,343)	(46,453) (43)	(160,796)
<u>Total Operating Revenues</u>	11,065,637	504,044	11,569,681	4,648,951	16,218,632
<u>Maintenance Expenses</u>					
Salaries and Wages	1,159,998	(595,073) (5)	564,925	0	564,925
Capitalized Time	(160,270)	35,698 (6)	(124,572)	0	(124,572)
Purchased Power	519,286	0 (7)	519,286	0	519,286
Purchased Sewer	1,645,009	2,410,618 (8)	4,055,627	0	4,055,627
Maintenance and Repair	1,962,233	88,906 (9)	2,051,139	0	2,051,139
Maintenance Testing	177,386	(93,103) (10)	84,283	0	84,283
Meter Reading	36,083	(19,131) (11)	16,952	0	16,952
Chemicals	173,628	(59,366) (12)	114,262	0	114,262
Transportation	102,162	(50,718) (13)	51,444	0	51,444
Operating Exp. Charged to Plant	0	0	0	0	0
<u>Total Maintenance Expenses</u>	5,615,515	1,717,831	7,333,346	0	7,333,346
<u>General Expenses</u>					
Salaries and Wages	371,276	231,255 (14)	602,531	0	602,531
Office Supplies & Other Office Exp	921,442	(744,791) (15)	176,651	0	176,651
Regulatory Commission Exp.	58,905	24,243 (16)	83,148	0	83,148
Pension & Other Benefits	331,893	(65,105) (17)	266,788	0	266,788
Rent	32,369	36,536 (18)	68,905	0	68,905
Insurance	148,400	70,194 (19)	218,594	0	218,594
Office Utilities	214,411	(42,145) (20)	172,266	0	172,266
Outside Services - Other	452,575	(44,051) (21)	408,524	0	408,524
Non-Utility Misc Expense	188,667	(188,667) (22)	0	0	0
Miscellaneous	25,689	1,723 (23)	27,412	0	27,412
<u>Total General Expenses</u>	2,745,627	(720,808)	2,024,819	0	2,024,819
Depreciation	915,558	565,820 (24)	1,481,378	0	1,481,378
Amortization of CIAC	(234,352)	(45,545) (25)	(279,897)	0	(279,897)
Taxes Other Than Income	1,395,111	119,948 (26)	1,515,059	24,758 (44)	1,539,817
Income Taxes - Federal	(243,799)	(141,195) (27)	(384,994)	922,526 (45)	537,532
Income Taxes - State	(109,751)	26,518 (28)	(83,233)	231,210 (46)	147,977
Sale of Utility Property	27,966	(27,966) (29)	0	0	0
Amort. Investment Tax Credit	(4,640)	0	(4,640)	0	(4,640)
Amortization of PAA	(3,773)	0	(3,773)	0	(3,773)
<u>Total Other Expenses</u>	1,742,320	497,580	2,239,900	1,178,494	3,418,394
<u>Total Operating Expenses</u>	10,103,462	1,494,603	11,598,065	1,178,494	12,776,559
<u>Net Operating Income</u>	962,175	(990,559)	(28,384)	3,470,457	3,442,073
Customer Growth	0	0 (30)	0	69,103 (47)	69,103
Interest During Construction	(92,457)	92,457 (31)	0	0	0
<u>Net Income (Loss) For Return</u>	1,054,632	(1,083,016)	(28,384)	3,539,560	3,511,176
<u>Original Cost Rate Base:</u>					
Gross Plant In Service	55,779,291	(1,790,793) (32)	53,988,498	0	53,988,498
Accumulated Depreciation	(7,554,311)	1,807,659 (33)	(5,746,652)	0	(5,746,652)
Net Plant In Service	48,224,980	16,866	48,241,846	0	48,241,846
Deferred Charges	0	5,597,219 (34)	5,597,219	0	5,597,219
Cash Working Capital	839,517	(176,699) (35)	662,818	0	662,818
Contributions In Aid of Construction	(11,167,297)	1,734,684 (36)	(9,432,613)	0	(9,432,613)
Accumulated Deferred Income Taxes	(1,319,130)	0	(1,319,130)	0	(1,319,130)
Customer Deposits	(137,749)	0	(137,749)	0	(137,749)
Plant Held for Future Use	0	0 (37)	0	0	-
Plant Acquisition Adjustment	(82,045)	0	(82,045)	0	(82,045)
Excess Book Value	0	(241,616) (38)	(241,616)	0	(241,616)
<u>Total Rate Base</u>	36,358,276	6,930,454	43,288,730	0	43,288,730
<u>Return on Rate Base</u>	2.90%		-0.07%		8.11%
<u>Operating Margin</u>	2.89%		-10.34%		14.45%
<u>Interest Expense</u>	735,082	432,959 (39)	1,168,041	0	1,168,041

Blue Granite Water Company
Explanation of Accounting and Pro Forma Adjustments
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
<u>Accounting and Pro Forma Adjustments</u>				
<u>Operating Revenues</u>				
(1) Service Revenues - Water				
To adjust water service revenues to reflect test year customer billings.				
Per ORS	280,468	272,372	8,096	0
Per BGWC	481,681	488,815	(7,134)	0
(2) Service Revenues - Sewer				
To adjust sewer service revenues to reflect test year customer billings.				
Per ORS	504,321	0	0	504,321
Per BGWC	129,970	0	0	129,970
(3) Miscellaneous Revenues				
To adjust miscellaneous revenues for the test year.				
Per ORS	4,043	(290)	0	4,333
Per BGWC	0	0	0	0
(4) Uncollectible Accounts				
To adjust uncollectible accounts to reflect accounting and pro forma adjustments to service revenues.				
Per ORS	(7,644)	(2,933)	(101)	(4,610)
Per BGWC	(6,279)	(4,894)	158	(1,543)

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Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
<u>Maintenance Expenses</u>				
(5) Salaries & Wages				
To annualize operators' salaries for the test year.				
Per ORS	(1,344,062)	(484,042)	(264,947)	(595,073)
Per BGWC	(1,155,286)	(418,425)	(229,614)	(507,247)
(6) Capitalized Time				
To adjust capitalized time based on pro forma salaries.				
Per ORS	73,614	25,726	12,190	35,698
Per BGWC	58,345	20,623	9,649	28,073
(7) Purchased Power				
No adjustment proposed for purchased power.				
Per ORS	0	0	0	0
Per BGWC	0	0	0	0
(8) Purchased Water and Sewer				
(8a) To adjust purchased water & sewer expense to remove non-revenue water and amortize uncollected purchased water and sewer expense increases over 3 years				
Per ORS	854,532	339,455	45,941	469,136
Per BGWC	934,656	402,984	53,940	477,732
(8b) To adjust purchased water & sewer expenses to remove non-revenue water and reflect going forward expense levels				
Per ORS	2,303,674	332,064	30,128	1,941,482
Per BGWC	2,640,647	404,870	106,342	2,129,435
(8) Total Purchased Water and Sewer Per ORS	3,158,206	671,519	76,069	2,410,618
Total Purchased Water and Sewer Per BGWC	3,575,303	807,854	160,282	2,607,167

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Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(9) Maintenance and Repair				
(9a) To adjust maintenance and repair for the amortization of deferred maintenance over 5 years.				
Per ORS	(232,402)	(62,470)	(59,317)	(110,615)
Per BGWC	(212,327)	(52,424)	(59,288)	(100,615)
(9b) To adjust test year expenses for ClearWater Solutions contract cost impacts.				
Per ORS	851,676	609,328	318,024	(75,676)
Per BGWC	892,513	623,802	327,093	(58,382)
(9c) To adjust for amortization of deferrals for litigation costs, decommissioning costs and NBV of decommissioned assets.				
Per ORS	345,590	43,470	11,143	290,977
Per BGWC	483,212	57,128	11,592	414,492
(9d) To normalize test year storm costs.				
Per ORS	(23,481)	(7,720)	(5,463)	(10,298)
Per BGWC	0	0	0	0
(9e) To remove rebranding expenses for ratemaking purposes.				
Per ORS	(12,832)	(4,548)	(2,802)	(5,482)
Per BGWC	0	0	0	0
(9) Total Maintenance and Repair Per ORS	<u>928,551</u>	<u>578,060</u>	<u>261,585</u>	<u>88,906</u>
Total Maintenance and Repair Per BGWC	<u>1,163,398</u>	<u>628,506</u>	<u>279,397</u>	<u>255,495</u>
(10) Maintenance Testing				
To adjust test year expenses for ClearWater Solutions contract cost impacts.				
Per ORS	<u>(174,416)</u>	<u>(33,212)</u>	<u>(48,101)</u>	<u>(93,103)</u>
Per BGWC	<u>(174,416)</u>	<u>(33,212)</u>	<u>(48,101)</u>	<u>(93,103)</u>

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Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(11) Meter Reading				
(11a) To adjust test year expenses for ClearWater Solutions contract cost impacts.				
Per ORS	(44,748)	(16,129)	(9,488)	(19,131)
Per BGWC	(44,748)	(16,129)	(9,491)	(19,128)
(11b) To remove meter reading expenses due to AMI deployment.				
Per ORS	(28,067)	(28,067)	0	0
Per BGWC	(28,067)	(28,067)	0	0
(11) Total Meter Reading Per ORS	<u>(72,815)</u>	<u>(44,196)</u>	<u>(9,488)</u>	<u>(19,131)</u>
Total Meter Reading Per BGWC	<u>(72,815)</u>	<u>(44,196)</u>	<u>(9,491)</u>	<u>(19,128)</u>
(12) Chemicals				
(12a) To adjust test year expenses for ClearWater Solutions contract cost impacts.				
Per ORS	(67,524)	(24,338)	(14,317)	(28,869)
Per BGWC	(67,524)	(24,338)	(14,322)	(28,864)
(12b) To remove chemical expense for decommissioned treatment facilities.				
Per ORS	(31,519)	(1,022)	0	(30,497)
Per BGWC	(31,519)	(1,022)	0	(30,497)
(12) Total Chemicals Per ORS	<u>(99,043)</u>	<u>(25,360)</u>	<u>(14,317)</u>	<u>(59,366)</u>
Total Chemicals Per BGWC	<u>(99,043)</u>	<u>(25,360)</u>	<u>(14,322)</u>	<u>(59,361)</u>
(13) Transportation				
(13a) To adjust test year expenses for ClearWater Solutions contract cost impacts.				
Per ORS	(110,230)	(39,452)	(23,667)	(47,111)
Per BGWC	(99,425)	(35,837)	(21,088)	(42,500)

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Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(13b) To remove rebranding expenses for ratemaking purposes.				
Per ORS	(8,444)	(2,993)	(1,844)	(3,607)
Per BGWC	0	0	0	0
(13) Total Transportation Per ORS	<u>(118,674)</u>	<u>(42,445)</u>	<u>(25,511)</u>	<u>(50,718)</u>
Total Transportation Per BGWC	<u>(99,425)</u>	<u>(35,837)</u>	<u>(21,088)</u>	<u>(42,500)</u>
<u>General Expenses</u>				
(14) Salaries & Wages				
To annualize office salaries for the test year.				
Per ORS	<u>538,807</u>	<u>191,693</u>	<u>115,859</u>	<u>231,255</u>
Per BGWC	<u>517,333</u>	<u>184,082</u>	<u>111,170</u>	<u>222,081</u>
(15) Office Supplies & Other Office Expense				
(15a) To remove expenses for items excluded by the Company.				
Per ORS	(1,542,022)	(636,499)	(170,477)	(735,046)
Per BGWC	(1,549,457)	(640,076)	(170,478)	(738,903)
(15b) To include costs for purchased services annual rate adjustment filing notices and annual round up bill inserts or flyers.				
Per ORS	0	0	0	0
Per BGWC	22,670	8,907	3,984	9,779
(15c) To remove expenses non-allowable for ratemaking purposes.				
Per ORS	(22,702)	(8,105)	(4,852)	(9,745)
Per BGWC	0	0	0	0
(15) Total Office Supplies & Other Office Expense Per ORS	<u>(1,564,724)</u>	<u>(644,604)</u>	<u>(175,329)</u>	<u>(744,791)</u>
Total Office Supplies & Other Office Expense Per BGWC	<u>(1,526,787)</u>	<u>(631,169)</u>	<u>(166,494)</u>	<u>(729,124)</u>

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Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(16) Regulatory Commission Expense				
(16a) To amortize current and unamortized prior rate case expenses over a three-year period.				
Per ORS	56,437	20,090	12,104	24,243
Per BGWC	104,130	36,995	22,519	44,616
(16b) To include legal costs for purchased services annual rate adjustment mechanism annual filings.				
Per ORS	0	0	0	0
Per BGWC	3,394	2,793	601	0
(16) Total Regulatory Commission Expense Per ORS	<u>56,437</u>	<u>20,090</u>	<u>12,104</u>	<u>24,243</u>
Total Regulatory Commission Expense Per BGWC	<u>107,524</u>	<u>39,788</u>	<u>23,120</u>	<u>44,616</u>
(17) Pension & Other Benefits				
(17a) To annualize pension and other benefits associated with pro forma salaries.				
Per ORS	(161,830)	(93,767)	(4,330)	(63,733)
Per BGWC	(62,113)	(54,671)	13,899	(21,341)
(17b) To remove service awards for ratemaking purposes.				
Per ORS	(3,211)	(1,138)	(701)	(1,372)
Per BGWC	0	0	0	0
(17) Total Pension & Other Benefits Per ORS	<u>(165,041)</u>	<u>(94,905)</u>	<u>(5,031)</u>	<u>(65,105)</u>
Total Pension & Other Benefits Per BGWC	<u>(62,113)</u>	<u>(54,671)</u>	<u>13,899</u>	<u>(21,341)</u>
(18) Rent				
To adjust rent expense for pro forma annualized leases.				
Per ORS	84,839	30,338	17,965	36,536
Per BGWC	95,826	34,233	20,363	41,230

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Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(19) Insurance				
To adjust insurance expense based on most recent policy premiums and deductible costs.				
Per ORS	163,371	58,173	35,004	70,194
Per BGWC	201,243	71,596	43,274	86,373
(20) Office Utilities				
To adjust test year expenses for ClearWater Solutions contract cost impacts.				
Per ORS	(98,634)	(35,121)	(21,368)	(42,145)
Per BGWC	(27,003)	(9,733)	(5,725)	(11,545)
(21) Outside Services - Other				
(21a) To adjust corporate costs allocations to annualize Corix parent expenses.				
Per ORS	(341,915)	(120,738)	(75,787)	(145,390)
Per BGWC	(362,759)	(128,125)	(80,339)	(154,295)
(21b) To include costs for York County franchise agreement and Lake Wylie AMI Neptune data support.				
Per ORS	214,731	83,955	0	130,776
Per BGWC	214,731	83,955	0	130,776
(21c) To reclassify annual rate adjustment mechanism and pumping interceptor tank legal expenses incurred during the test year to rate case expenses.				
Per ORS	(36,864)	(13,066)	(8,050)	(15,748)
Per BGWC	0	0	0	0
(21d) To remove rebranding expenses for ratemaking purposes.				
Per ORS	(9,833)	(3,485)	(2,147)	(4,201)
Per BGWC	0	0	0	0

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Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(21e) To remove legal expenses that should not be included for ratemaking purposes.				
Per ORS	(22,210)	(7,872)	(4,850)	(9,488)
Per BGWC	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(21) Total Outside Services Expense Per ORS	<u>(196,091)</u>	<u>(61,206)</u>	<u>(90,834)</u>	<u>(44,051)</u>
Total Outside Services Expense Per BGWC	<u>(148,028)</u>	<u>(44,170)</u>	<u>(80,339)</u>	<u>(23,519)</u>
(22) Non-Utility Miscellaneous Expense				
To remove non-utility activity.				
Per ORS	<u>(442,691)</u>	<u>(156,637)</u>	<u>(97,387)</u>	<u>(188,667)</u>
Per BGWC	<u>(442,691)</u>	<u>(156,637)</u>	<u>(97,387)</u>	<u>(188,667)</u>
(23) Miscellaneous				
(23a) To include customer deposit interest expense.				
Per ORS	11,244	3,584	3,084	4,576
Per BGWC	11,244	3,584	3,084	4,576
(23b) To remove expenses non-allowable for ratemaking purposes.				
Per ORS	(6,678)	(2,367)	(1,458)	(2,853)
Per BGWC	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(23) Total Miscellaneous Per ORS	<u>4,566</u>	<u>1,217</u>	<u>1,626</u>	<u>1,723</u>
Total Miscellaneous Per BGWC	<u>11,244</u>	<u>3,584</u>	<u>3,084</u>	<u>4,576</u>
(24) Depreciation Expense				
To annualize depreciation expense for known and measurable plant in service. See Audit Exhibit DFS-6.				
Per ORS	<u>1,494,488</u>	<u>539,028</u>	<u>389,640</u>	<u>565,820</u>
Per BGWC	<u>2,093,637</u>	<u>710,395</u>	<u>554,066</u>	<u>829,176</u>

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Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(25) Amortization of Contributions in Aid of Construction (CIAC)				
To adjust amortization of CIAC for known and measurable changes. See Audit Exhibit DFS-6.				
Per ORS	(538,846)	(467,848)	(25,453)	(45,545)
Per BGWC	(618,100)	(473,764)	(25,421)	(118,915)
(26) Taxes Other Than Income				
(26a) To adjust payroll taxes associated with adjusted salaries.				
Per ORS	(33,874)	(22,237)	2,425	(14,062)
Per BGWC	(14,449)	(14,507)	5,800	(5,742)
(26b) To adjust gross receipts taxes for the adjustments to accounting and pro forma revenue using a factor of .00527282.				
Per ORS	4,160	1,435	43	2,682
Per BGWC	3,226	2,577	(37)	686
(26c) To adjust pro forma property taxes for pro forma plant balances.				
Per ORS	386,017	153,348	101,341	131,328
Per BGWC	543,084	250,725	156,101	136,258
(26) Total Taxes Other Than Income Per ORS	356,303	132,546	103,809	119,948
Total Taxes Other Than Income Per BGWC	531,861	238,795	161,864	131,202
(27) Income Taxes - Federal				
To adjust federal income taxes after accounting and pro forma adjustments. See Audit Exhibit DFS-7.				
Per ORS	(456,552)	(312,611)	(2,746)	(141,195)
Per BGWC	(884,773)	(408,999)	(99,526)	(376,248)

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Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(28) Income Taxes - State				
To adjust state income taxes after accounting and pro forma adjustments. See Audit Exhibit DFS-7.				
Per ORS	(5,184)	(8,389)	(23,313)	26,518
Per BGWC	(112,509)	(32,547)	(47,569)	(32,393)
(29) Sale of Utility Property				
To reflect the removal of sale of utility property for ratemaking purposes.				
Per ORS	20,253	29,922	18,297	(27,966)
Per BGWC	20,253	29,922	18,297	(27,966)
(30) Customer Growth				
No accounting and pro forma adjustment proposed for customer growth.				
Per ORS	0	0	0	0
Per BGWC	0	0	0	0
(31) Interest During Construction ("IDC")				
To eliminate IDC for rate making purposes.				
Per ORS	172,635	74,253	5,925	92,457
Per BGWC	172,636	74,253	5,925	92,458
(32) Gross Plant in Service				
To adjust for pro forma general ledger additions, pro forma plant, pro forma retirements and decommissioned plant.				
Per ORS	415,288	1,152,082	1,053,999	(1,790,793)
Per BGWC	2,600,952	1,231,445	1,653,985	(284,478)

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Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(33) Accumulated Depreciation				
To adjust accumulated depreciation for current depreciation, decommissioned plant and prior rate case adjustments.				
Per ORS	3,337,761	1,188,052	342,050	1,807,659
Per BGWC	3,701,703	1,650,578	957,319	1,093,806
(34) Deferred Charges				
(34a) To include unamortized balances for deferred maintenance.				
Per ORS	0	0	0	0
Per BGWC	348,417	185,162	114,088	49,167
(34b) To include unamortized balances for removal costs on decommissioned assets, NBV on decommissioned assets, and excess deferred income taxes.				
Per ORS	4,827,755	(168,200)	(601,264)	5,597,219
Per BGWC	4,596,244	(183,548)	(652,326)	5,432,118
(34) Total Deferred Charges Per ORS	4,827,755	(168,200)	(601,264)	5,597,219
Total Deferred Charges Per BGWC	4,944,661	1,614	(538,238)	5,481,285
(35) Cash Working Capital				
(35a) To adjust cash working capital after accounting and pro forma adjustments. See Audit Exhibit DFS-8.				
Per ORS	749,865	351,879	67,732	330,254
Per BGWC	898,666	399,600	94,180	404,886
(35b) To adjust cash working capital for Company proposed rate mitigation by eliminating purchased water and sewer from the calculation. See Audit Exhibit DFS-8.				
Per ORS	(1,053,116)	(441,433)	(104,730)	(506,953)
Per BGWC	(1,105,254)	(458,475)	(115,257)	(531,522)
(35) Total Cash Working Capital Per ORS	(303,251)	(89,554)	(36,998)	(176,699)
Total Cash Working Capital Per BGWC	(206,588)	(58,875)	(21,077)	(126,636)

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Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(36) Contributions in Aid of Construction ("CIAC")				
To adjust CIAC to reflect the amortization of CIAC expense, pro forma CIAC additions and decommissioned plant. See Audit Exhibit DFS-6.				
Per ORS	1,128,095	(565,679)	(40,910)	1,734,684
Per BGWC	1,068,166	(36,839)	(14,689)	1,119,694
(37) Plant Held for Future Use				
To adjust for post test year land purchase to be used for one million gallon elevated tank in Lake Wylie Subdivision.				
Per ORS	0	0	0	0
Per BGWC	350,000	350,000	0	0
(38) Excess Book Value				
To remove excess book value for ratemaking purposes.				
Per ORS	(464,646)	(223,030)	0	(241,616)
Per BGWC	(435,586)	(207,236)	0	(228,350)
(39) Interest Expense				
To adjust interest on debt using a 47.09% and 52.91% debt to equity ratio and 5.73% cost of debt. ORS computed allowable interest expense after accounting and pro forma adjustments. See Audit Exhibit DFS-9.				
Per ORS	144,071	(248,564)	(40,324)	432,959
Per BGWC	228,871	(204,109)	(4,278)	437,258

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Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
<u>ORS Adjustments</u>				
(40) Service Revenues - Water				
To adjust water service revenues for the return on equity recommendation of ORS witness Parcell.				
Per ORS	3,813,184	2,632,059	1,181,125	0
Per BGWC	5,575,958	3,636,851	1,939,107	0
(41) Service Revenues - Sewer				
To adjust sewer service revenues for the return on equity recommendation of ORS witness Parcell.				
Per ORS	4,645,341	0	0	4,645,341
Per BGWC	6,155,846	0	0	6,155,846
(42) Miscellaneous Revenues				
To adjust miscellaneous revenues.				
Per ORS	66,737	9,249	7,425	50,063
Per BGWC	0	0	0	0
(43) Uncollectible Accounts				
To adjust uncollectible accounts for ORS's adjustments to revenues.				
Per ORS	(89,309)	(26,320)	(16,536)	(46,453)
Per BGWC	(142,266)	(36,021)	(29,914)	(76,331)
(44) Taxes Other Than Income				
To adjust gross receipts using a factor of .00527282 after ORS's adjustments to revenues.				
Per ORS	44,952	13,927	6,267	24,758
Per BGWC	61,859	19,176	10,225	32,458

Blue Granite Water Company
Explanation of Accounting and Pro Forma Adjustments
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Description	\$ Combined Operations	\$ Water Terr. 1 Operations	\$ Water Terr. 2 Operations	\$ Sewer Operations
(45) Income Taxes -Federal				
To adjust federal income taxes after ORS's adjustments to revenues and gross receipts. See Audit Exhibit DFS-7.				
Per ORS	1,674,004	518,912	232,566	922,526
Per BGWC	2,299,770	714,539	378,844	1,206,387
(46) Income Taxes - State				
To adjust state income taxes after ORS's adjustments to revenues and gross receipts. See Audit Exhibit DFS-7.				
Per ORS	419,551	130,053	58,288	231,210
Per BGWC	576,385	179,083	94,949	302,353
(47) Customer Growth				
To adjust for customer growth after ORS's adjustments to revenues and taxes. The growth factors of 2.0392% for water territory 1, 0.0904% for water territory 2, and 2.0076% for sewer were computed by ORS witness Sandonato.				
Per ORS	84,494	14,119	1,272	69,103
Per BGWC	0	0	0	0

Blue Granite Water Company
 Computation of Depreciation and Amortization Expense Adjustments
 Docket No. 2019-290-WS
 For the Test Year Ended June 30, 2019

Account No.	Item	Water Territory 1	Depreciation Rate	Depreciation Expense
1020	ORGANIZATION	84,616	1.50%	1,269
1025	FRANCHISES	25,864	1.50%	388
1030	LAND & LAND RIGHTS PUMP	6,920	0.00%	-
1035	LAND & LAND RIGHTS WTR	-	0.00%	-
1040	LAND & LAND RIGHTS TRAN	28,237	0.00%	-
1045	LAND & LAND RIGHTS GEN	288,337	0.00%	-
1050	STRUCT & IMPRV SRC SUPP	1,040,231	2.24%	23,301
1055	STRUCT & IMPRV WTR TRT	470,724	2.12%	9,979
1060	STRUCT & IMPRV TRANS DI	3,434	1.95%	67
1065	STRUCT & IMPRV GEN PLT	166,157	1.97%	3,273
1070	COLLECTING RESERVOIRS	-	1.50%	-
1075	LAKE, RIVER, OTHER INTA	-	1.50%	-
1080	WELLS & SPRINGS	1,366,210	2.30%	31,423
1085	INFILTRATION GALLERY	-	1.50%	-
1090	SUPPLY MAINS	1,325,569	1.91%	25,318
1095	POWER GENERATION EQUIP	-	1.50%	-
1100	ELECTRIC PUMP EQUIP SRC	224,376	4.31%	9,671
1105	ELECTRIC PUMP EQUIP WTP	1,468,331	4.73%	69,452
1110	ELECTRIC PUMP EQUIP TRA	189,746	4.53%	8,595
1115	WATER TREATMENT EQPT	905,219	2.85%	25,799
1120	DIST RESV & STANDPIPES	3,287,317	3.17%	104,208
1125	TRANS & DISTR MAINS	7,414,856	1.10%	81,563
1130	SERVICE LINES	3,379,661	6.40%	216,298
1135	METERS	2,588,959	6.05%	156,632
1140	METER INSTALLATIONS	338,235	5.12%	17,318
1145	HYDRANTS	322,831	2.35%	7,587
1150	BACKFLOW PREVENTION DEV	8,525	5.05%	431
1155	OTH PLT&MISC EQUIP INTA	2,216	4.57%	101
1160	OTH PLT&MISC EQUIP SRC	-	2.66%	-
1165	OTH PLT&MISC EQUIP WTP	-	3.28%	-
1170	OTH PLT&MISC EQUIP TRAN	1,457	4.20%	61
1175	OFFICE STRUCT & IMPRV	223,300	2.24%	5,002
1180	OFFICE FURN & EQPT	317,420	12.92%	41,011
1185	STORES EQUIPMENT	-	1.50%	-
1190	TOOL SHOP & MISC EQPT	318,495	10.06%	32,041
1195	LABORATORY EQUIPMENT	73,863	10.75%	7,940
1200	POWER OPERATED EQUIP	1,043	8.94%	93
1205	COMMUNICATION EQPT	100,439	23.80%	23,904
1210	MISC EQUIPMENT	1,688	6.16%	104
1215	WATER PLANT ALLOCATED	-	0.00%	-
1220	OTHER TANGIBLE PLT WATE	-	7.58%	-
1555	TRANSPORTATION EQPT WTR	209,408	2.90%	6,073
1560	TRANSPORTATION EQPT SWR	-	2.90%	-
1575	DESKTOP COMPUTER WTR	-	33.33%	-
1580	MAINFRAME COMPUTER WTR	104	20.00%	21
1585	MINI COMPUTERS WTR	133,572	33.33%	44,520
1590	COMP SYS COST WTR	369,707	12.50%	46,213
1595	MICRO SYS COST WTR	48	33.33%	16
2620	UTIL PLANT ACQUIRED/DISPOSED	134,036	0.00%	-
Total UPIS Water		26,821,151		999,673
		Indian Pines Extraordinary Retirement (Ends 2029)		3,631
		ORS Total Water Territory 1 Depreciation		1,003,304
		Less Per Books		464,276
		ORS Adj. #24 for Water Territory 1		539,028

Blue Granite Water Company
Computation of Depreciation and Amortization Expense Adjustments
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Account No.	Item	Water Territory 2	Depreciation Rate	Depreciation Expense
1020	ORGANIZATION	213,814	1.50%	3,207
1025	FRANCHISES	33,687	1.50%	505
1030	LAND & LAND RIGHTS PUMP	-	0.00%	-
1035	LAND & LAND RIGHTS WTR	38	0.00%	-
1040	LAND & LAND RIGHTS TRAN	655	0.00%	-
1045	LAND & LAND RIGHTS GEN	273,996	0.00%	-
1050	STRUCT & IMPRV SRC SUPP	2,496,082	2.24%	55,912
1055	STRUCT & IMPRV WTR TRT	832,780	2.12%	17,655
1060	STRUCT & IMPRV TRANS DI	27,267	1.95%	532
1065	STRUCT & IMPRV GEN PLT	104,588	1.97%	2,060
1070	COLLECTING RESERVOIRS	-	1.50%	-
1075	LAKE, RIVER, OTHER INTA	-	1.50%	-
1080	WELLS & SPRINGS	1,513,241	2.30%	34,805
1085	INFILTRATION GALLERY	-	1.50%	-
1090	SUPPLY MAINS	346,988	1.91%	6,627
1095	POWER GENERATION EQUIP	-	1.50%	-
1100	ELECTRIC PUMP EQUIP SRC	302,499	4.31%	13,038
1105	ELECTRIC PUMP EQUIP WTP	1,361,123	4.73%	64,381
1110	ELECTRIC PUMP EQUIP TRA	565,868	4.53%	25,634
1115	WATER TREATMENT EQPT	776,460	2.85%	22,129
1120	DIST RESV & STANDPIPES	4,003,368	3.17%	126,907
1125	TRANS & DISTR MAINS	6,473,528	1.10%	71,209
1130	SERVICE LINES	2,258,844	6.40%	144,566
1135	METERS	250,306	6.05%	15,144
1140	METER INSTALLATIONS	202,430	5.12%	10,364
1145	HYDRANTS	92,469	2.35%	2,173
1150	BACKFLOW PREVENTION DEV	14,320	5.05%	723
1155	OTH PLT&MISC EQUIP INTA	678	4.57%	31
1160	OTH PLT&MISC EQUIP SRC	2,211	2.66%	59
1165	OTH PLT&MISC EQUIP WTP	1,073	3.28%	35
1170	OTH PLT&MISC EQUIP TRAN	-	4.20%	-
1175	OFFICE STRUCT & IMPRV	94,080	2.24%	2,107
1180	OFFICE FURN & EQPT	164,341	12.92%	21,233
1185	STORES EQUIPMENT	-	1.50%	-
1190	TOOL SHOP & MISC EQPT	261,313	10.06%	26,288
1195	LABORATORY EQUIPMENT	52,855	10.75%	5,682
1200	POWER OPERATED EQUIP	2,053	8.94%	184
1205	COMMUNICATION EQPT	71,225	23.80%	16,952
1210	MISC EQUIPMENT	14,201	6.16%	875
1215	WATER PLANT ALLOCATED	-	0.00%	-
1220	OTHER TANGIBLE PLT WATE	18,922	7.58%	1,434
1555	TRANSPORTATION EQPT WTR	127,913	2.90%	3,709
1560	TRANSPORTATION EQPT SWR	-	2.90%	-
1575	DESKTOP COMPUTER WTR	-	33.33%	-
1580	MAINFRAME COMPUTER WTR	-	20.00%	-
1585	MINI COMPUTERS WTR	81,609	33.33%	27,200
1590	COMP SYS COST WTR	225,511	12.50%	28,189
1595	MICRO SYS COST WTR	-	33.33%	-
2620	UTIL PLANT ACQUIRED/DISPOSED	-	0.00%	-
Total UPIS Water		23,262,336		751,549
		Purdy Shores & Foxwood Retirement (Ends 2024)		46,668
		ORS Total Water Territory 2 Depreciation		798,217
		Less Per Books		408,578
		ORS Adj. #24 for Water Territory 2		389,639

Blue Granite Water Company
Computation of Depreciation and Amortization Expense Adjustments
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For the Test Year Ended June 30, 2019

Account No.	Item	Sewer	Depreciation Rate	Depreciation Expense
1245	ORGANIZATION	32,423	1.50%	486
1250	FRANCHISES INTANG PLT	-	1.50%	-
1255	FRANCHISES RECLAIM WTR	-	1.50%	-
1260	LAND & LAND RIGHTS INTA	-	0.00%	-
1265	LAND & LAND RIGHTS COLL	664	0.00%	-
1270	LAND & LAND RIGHTS TRTM	-	0.00%	-
1275	LAND & LAND RIGHTS RECL	-	0.00%	-
1280	LAND & LAND RIGHTS RCL	-	0.00%	-
1285	LAND & LAND RIGHTS GEN	80,785	0.00%	-
1290	STRUCT/IMPRV COLL PLT	31,886	2.57%	819
1295	STRUCT/IMPRV PUMP PLT L	3,581,162	2.30%	82,367
1300	STRUCT/IMPRV TREAT PLT	3,355,950	2.03%	68,126
1305	STRUCT/IMPRV RECLAIM WT	11,832	1.98%	234
1310	STRUCT/IMPRV RECLAIM WT	24,333	2.32%	565
1315	STRUCT/IMPRV GEN PLT	1,764,223	1.94%	34,226
1320	POWER GEN EQUIP COLL PL	7,473	4.17%	312
1325	POWER GEN EQUIP PUMP PL	47,763	4.07%	1,944
1330	POWER GEN EQUIP TREAT P	32,459	4.17%	1,354
1335	POWER GEN EQUIP RECLAIM	-	1.50%	-
1340	POWER GEN EQUIP RCL WTR	-	1.50%	-
1345	SEWER FORCE MAIN	4,044,864	1.88%	76,043
1350	SEWER GRAVITY MAIN	16,586,096	1.10%	182,447
1353	MANHOLES	187,845	3.21%	6,030
1355	SPECIAL COLL STRUCTURES	53,757	2.16%	1,161
1360	SERVICES TO CUSTOMERS	2,285,513	2.36%	53,938
1365	FLOW MEASURE DEVICES	39,201	5.50%	2,156
1370	FLOW MEASURE INSTALL	1,544	5.14%	79
1375	RECEIVING WELLS	602	2.99%	18
1380	PUMPING EQUIPMENT PUMP	4,030,384	4.54%	182,979
1385	PUMPING EQUIPMENT RECLA	4,741,179	5.53%	262,187
1390	PUMPING EQUIPMENT RCL W	68,372	5.24%	3,583
1395	TREAT/DISP EQUIP LAGOON	1,545,215	2.81%	43,421
1400	TREAT/DISP EQUIP TRT PL	8,728,984	3.10%	270,599
1405	TREAT/DISP EQUIP RCL WT	1,541	2.59%	40
1410	PLANT SEWERS TRTMT PLT	302,038	5.49%	16,582
1415	PLANT SEWERS RECLAIM WT	3,877	5.87%	228
1420	OUTFALL LINES	295,515	2.17%	6,413
1425	OTHER PLT TANGIBLE	2,424	7.73%	187
1430	OTHER PLT COLLECTION	10,833	5.99%	649
1435	OTHER PLT PUMP	42,136	7.61%	3,207
1440	OTHER PLT TREATMENT	20,988	7.61%	1,597
1445	OTHER PLT RECLAIM WTR T	1,720	7.79%	134
1450	OTHER PLT RECLAIM WTR D	-	1.50%	-
1455	OFFICE STRUCT & IMPRV	74,830	2.24%	1,676
1460	OFFICE FURN & EQPT	9,050	6.60%	597
1465	STORES EQUIPMENT	723	6.24%	45
1470	TOOL SHOP & MISC EQPT	198,028	5.70%	11,288
1475	LABORATORY EQPT	45,007	6.19%	2,786
1480	POWER OPERATED EQUIP	70,608	5.41%	3,820
1485	COMMUNICATION EQPT	4,199	15.35%	645
1490	MISC EQUIP SEWER	534,713	6.76%	36,147
1495	SEWER PLANT ALLOCATED	(778)	0.00%	-
1500	OTHER TANGIBLE PLT SEWE	-	7.58%	-
1530	REUSE MTR/INSTALLATIONS	511	5.12%	26
1535	REUSE DIST RESERVOIRS	5,086	3.17%	161
1540	REUSE TRANSMISSION & DIST	76,390	1.10%	840
1555	TRANSPORTATION EQPT WTR	251,800	2.90%	7,302
1560	TRANSPORTATION EQPT SWR	-	2.90%	-
1575	DESKTOP COMPUTER WTR	-	33.33%	-
1580	MAINFRAME COMPUTER WTR	102	20.00%	20
1585	MINI COMPUTERS WTR	160,609	33.33%	53,531
1590	COMP SYS COST WTR	444,321	12.50%	55,540
1595	MICRO SYS COST WTR	47	33.33%	16
2620	UTIL PLANT ACQUIRED/DISPOSED	147,670	0.00%	-
Total UPIS Sewer		53,988,497		1,478,550
Prior Rate Case Adjustment for Engineering Over 10 Years (Ends 2026)				2,826
ORS Total Sewer Depreciation				1,481,376
Less Per Books				915,557
ORS Adj. #24 for Sewer				565,819

Blue Granite Water Company
 Computation of Depreciation and Amortization Expense Adjustments
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Account No.	Item	Water Territory 1	Amortization Rate Rate	Amortization Expense
3255	CIAC-ORGANIZATION	-	1.50%	-
3260	CIAC-FRANCHISES	-	1.50%	-
3265	CIAC-STRUCT & IMPRV SRC	-	2.24%	-
3270	CIAC-STRUCT & IMPRV WTP	-	2.12%	-
3275	CIAC-STRUCT & IMPRV TRA	-	1.95%	-
3280	CIAC-STRUCT & IMPRV GEN	-	1.97%	-
3285	CIAC-COLLECTING RESERVO	-	1.50%	-
3290	CIAC-LAKE, RIVER, OTHER	-	1.50%	-
3295	CIAC-WELLS & SPRINGS	-	2.30%	-
3300	CIAC-INFILTRATION GALLE	-	1.50%	-
3305	CIAC-SUPPLY MAINS	(384,108)	1.91%	(7,336)
3310	CIAC-POWER GENERATION E	-	1.50%	-
3315	CIAC-ELEC PUMP EQP SRC	-	4.31%	-
3320	CIAC-ELEC PUMP EQP WTP	-	4.73%	-
3325	CIAC-ELEC PUMP EQP TRAN	-	4.53%	-
3330	CIAC-WATER TREATMENT EQ	-	2.85%	-
3335	CIAC-DIST RESV & STANDP	(5,378)	3.17%	(170)
3340	CIAC-TRANS & DISTR MAIN	(542,174)	1.10%	(5,964)
3345	CIAC-SERVICE LINES	(303,758)	6.40%	(19,441)
3350	CIAC-METERS	(21,094)	6.05%	(1,276)
3355	CIAC-METER INSTALLS	-	5.12%	-
3360	CIAC-HYDRANTS	(18,809)	2.35%	(442)
3365	CIAC-BACKFLOW PREVENT D	-	5.05%	-
3370	CIAC-OTH PLT&MISC EQP I	-	4.57%	-
3375	CIAC-OTH PLT&MISC EQP S	-	2.66%	-
3380	CIAC-OTH PLT&MISC EQP W	-	3.28%	-
3385	CIAC-OTH PLT&MISC EQP D	-	4.20%	-
3390	CIAC-OFFICE STRUCTURE	-	2.24%	-
3395	CIAC-OFFICE FURN/EQPT	-	12.92%	-
3400	CIAC-STORES EQUIPMENT	-	1.50%	-
3405	CIAC-TOOL SHOP & MISC E	-	10.06%	-
3410	CIAC-LABORATORY EQUIPME	-	10.75%	-
3415	CIAC-POWER OPERATED EQU	-	8.94%	-
3420	CIAC-COMMUNICATION EQPT	-	23.80%	-
3425	CIAC-MISC EQUIPMENT	-	6.16%	-
3430	CIAC-OTHER TANGIBLE PLT	(4,413,782)	7.58%	(334,565)
3435	CIAC-WATER-TAP	(4,846,251)	5.12%	(248,128)
3440	CIAC-WTR MGMT FEE	(450)	5.12%	(23)
3442	CIAC-WTR LINE EXT FEE	-	1.50%	-
3445	CIAC-WTR RES CAP FEE	-	1.50%	-
3450	CIAC-WTR PLT MOD FEE	(553,994)	1.97%	(10,914)
3455	CIAC-WTR PLT MTR FEE	(75,140)	6.05%	(4,546)
TOTAL CIAC Water		(11,164,938)		(632,805)
			Less: Per Books Amortization of CIAC	(164,957)
			ORS Adjustment #25 for Water Territory 1	(467,848)

Blue Granite Water Company
 Computation of Depreciation and Amortization Expense Adjustments
 Docket No. 2019-290-WS
 For the Test Year Ended June 30, 2019

Account No.	Item	Water Territory 2	Amortization Rate Rate	Amortization Expense
3255	CIAC-ORGANIZATION	-	1.50%	-
3260	CIAC-FRANCHISES	-	1.50%	-
3265	CIAC-STRUCT & IMPRV SRC	-	2.24%	-
3270	CIAC-STRUCT & IMPRV WTP	-	2.12%	-
3275	CIAC-STRUCT & IMPRV TRA	-	1.95%	-
3280	CIAC-STRUCT & IMPRV GEN	-	1.97%	-
3285	CIAC-COLLECTING RESERVO	-	1.50%	-
3290	CIAC-LAKE, RIVER, OTHER	-	1.50%	-
3295	CIAC-WELLS & SPRINGS	-	2.30%	-
3300	CIAC-INFILTRATION GALLE	-	1.50%	-
3305	CIAC-SUPPLY MAINS	-	1.91%	-
3310	CIAC-POWER GENERATION E	-	1.50%	-
3315	CIAC-ELEC PUMP EQP SRC	-	4.31%	-
3320	CIAC-ELEC PUMP EQP WTP	-	4.73%	-
3325	CIAC-ELEC PUMP EQP TRAN	-	4.53%	-
3330	CIAC-WATER TREATMENT EQ	-	2.85%	-
3335	CIAC-DIST RESV & STANDP	-	3.17%	-
3340	CIAC-TRANS & DISTR MAIN	-	1.10%	-
3345	CIAC-SERVICE LINES	-	6.40%	-
3350	CIAC-METERS	-	6.05%	-
3355	CIAC-METER INSTALLS	-	5.12%	-
3360	CIAC-HYDRANTS	-	2.35%	-
3365	CIAC-BACKFLOW PREVENT D	-	5.05%	-
3370	CIAC-OTH PLT&MISC EQP I	-	4.57%	-
3375	CIAC-OTH PLT&MISC EQP S	-	2.66%	-
3380	CIAC-OTH PLT&MISC EQP W	-	3.28%	-
3385	CIAC-OTH PLT&MISC EQP D	-	4.20%	-
3390	CIAC-OFFICE STRUCTURE	-	2.24%	-
3395	CIAC-OFFICE FURN/EQPT	-	12.92%	-
3400	CIAC-STORES EQUIPMENT	-	1.50%	-
3405	CIAC-TOOL SHOP & MISC E	-	10.06%	-
3410	CIAC-LABORATORY EQUIPME	-	10.75%	-
3415	CIAC-POWER OPERATED EQU	-	8.94%	-
3420	CIAC-COMMUNICATION EQPT	-	23.80%	-
3425	CIAC-MISC EQUIPMENT	-	6.16%	-
3430	CIAC-OTHER TANGIBLE PLT	(301,970)	7.58%	(22,889)
3435	CIAC-WATER-TAP	(185,496)	5.12%	(9,497)
3440	CIAC-WTR MGMT FEE	-	5.12%	-
3442	CIAC-WTR LINE EXT FEE	-	1.50%	-
3445	CIAC-WTR RES CAP FEE	-	1.50%	-
3450	CIAC-WTR PLT MOD FEE	(1,200)	1.97%	(24)
3455	CIAC-WTR PLT MTR FEE	(4,037)	6.05%	(244)
TOTAL CIAC Water		(492,703)		(32,655)
			Less: Per Books Amortization of CIAC	(7,201)
			ORS Adjustment #25 for Water Territory 2	(25,454)

Blue Granite Water Company
Computation of Depreciation and Amortization Expense Adjustments
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

Account No.	Item	Sewer	Amortization Rate	Amortization Expense
3480	CIAC-ORGANIZATION	-	1.50%	-
3485	CIAC-FRANCHISES INTANG	-	1.50%	-
3490	CIAC-FRANCHISES RCLM WT	-	1.50%	-
3495	CIAC-STRUCT/IMPRV COLL	-	2.57%	-
3500	CIAC-STRUCT/IMPRV PUMP	(183,120)	2.30%	(4,212)
3505	CIAC-STRUCT/IMPRV TREAT	-	2.03%	-
3510	CIAC-STRUCT/IMPRV RCLM	-	1.98%	-
3515	CIAC-STRUCT/IMPRV RCLM	-	2.32%	-
3520	CIAC-STRUCT/IMPRV GEN P	(9,448,856)	1.94%	(183,308)
3525	CIAC-POWER GEN EQUIP CO	-	4.17%	-
3530	CIAC-POWER GEN EQUIP PU	(47,763)	4.07%	(1,944)
3535	CIAC-POWER GEN EQUIP TR	-	4.17%	-
3540	CIAC-POWER GEN EQUIP RC	-	1.50%	-
3545	CIAC-POWER GEN EQUIP RC	-	1.50%	-
3550	CIAC-SEWER FORCE MAIN	(21,003)	1.88%	(395)
3555	CIAC-SEWER GRAVITY MAIN	(1,064,507)	1.10%	(11,710)
3557	CIAC-MANHOLE	(28,600)	3.21%	(918)
3560	CIAC-SPECIAL COLL STRUC	-	2.16%	-
3565	CIAC-SERVICES TO CUSTOM	(62,000)	2.36%	(1,463)
3570	CIAC-FLOW MEASURE DEVIC	-	5.50%	-
3575	CIAC-FLOW MEASURE INSTA	-	5.14%	-
3580	CIAC-RECEIVING WELLS	-	2.99%	-
3585	CIAC-PUMP EQP PUMP PLT	-	4.54%	-
3590	CIAC-PUMP EQP RCLM WTP	-	5.53%	-
3595	CIAC-PUMP EQP RCLM DIST	-	5.24%	-
3600	CIAC-TREAT/DISP EQUIP L	-	2.81%	-
3605	CIAC-TREAT/DISP EQUIP T	-	3.10%	-
3610	CIAC-TREAT/DISP EQUIP R	-	2.59%	-
3615	CIAC-PLANT SEWERS TRTMT	-	5.49%	-
3620	CIAC-PLANT SEWERS RCLM	-	5.87%	-
3625	CIAC-OUTFALL LINES	-	2.17%	-
3630	CIAC-OTHER PLT TANGIBLE	-	7.73%	-
3635	CIAC-OTHER PLT COLLECTI	-	5.99%	-
3640	CIAC-OTHER PLT PUMP	-	7.61%	-
3645	CIAC-OTHER PLT TREATMEN	-	7.61%	-
3650	CIAC-OTHER PLT RCLM WTR	-	7.79%	-
3655	CIAC-OTHER PLT RCLM WTR	-	1.50%	-
3660	CIAC-OFFICE STRUCTURE	-	2.24%	-
3665	CIAC-OFFICE FURN/EQPT	-	6.60%	-
3670	CIAC-STORES EQUIPMENT	-	6.24%	-
3675	CIAC-TOOL SHOP & MISC E	-	5.70%	-
3680	CIAC-LABORATORY EQPT	-	6.19%	-
3685	CIAC-POWER OPERATED EQU	-	5.41%	-
3690	CIAC-COMMUNICATION EQPT	-	15.35%	-
3695	CIAC-MISC EQUIP SEWER	-	6.76%	-
3700	CIAC-OTHER TANGIBLE PLT	(800)	7.58%	(61)
3705	CIAC-SEWER-TAP	(2,762,524)	2.36%	(65,196)
3710	CIAC-SWR MGMT FEE	(1,400)	2.36%	(33)
3712	CIAC-SWR LINE EXT FEE	-	1.50%	-
3715	CIAC-SWR RES CAP FEE	-	1.50%	-
3720	CIAC-SWR PLT MOD FEE	(548,444)	1.94%	(10,640)
3725	CIAC-SWR PLT MTR FEE	(780)	2.36%	(18)
Total CIAC Sewer		(14,169,797)		(279,897)
		Less: Per Books Amortization of CIAC		(234,352)
		ORS Adjustment #25 for Sewer		(45,545)

Blue Granite Water Company
Computation of Income Taxes
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

After Accounting & Pro Forma Adjustments				
	\$			\$
	Combined	Water Terr. 1	Water Terr. 2	Sewer
	Operations	Operations	Operations	Operations
Operating Revenues	23,775,138	6,598,640	5,606,817	11,569,681
Less: Operating Expenses	25,609,632	8,432,784	5,110,556	12,066,292
Net Operating Income Before Taxes	(1,834,494)	(1,834,144)	496,261	(496,611)
Less: Annualized Interest Expense	1,972,386	314,087	490,258	1,168,041
Taxable Income - State	(3,806,880)	(2,148,231)	6,003	(1,664,652)
State Income Tax %	5.0%	5.0%	5.0%	5.0%
State Income Taxes	(190,345)	(107,412)	300	(83,233)
Less: State Income Taxes Per Book	(185,161)	(99,023)	23,613	(109,751)
ORS State Income Tax Adjustment #28	(5,184)	(8,389)	(23,313)	26,518
Taxable Income - Federal	(3,616,535)	(2,040,819)	5,703	(1,581,419)
Federal Income Taxes %	21.0%	21.0%	21.0%	21.0%
Federal Income Taxes	(759,472)	(428,572)	1,198	(332,098)
Add: Excess Deferred Income Taxes Amortization	(129,064)	(38,454)	(37,714)	(52,896)
Less: Federal Income Taxes Per Book	(431,984)	(154,415)	(33,770)	(243,799)
ORS Federal Income Tax Adjustment #27	(456,552)	(312,611)	(2,746)	(141,195)
After Proposed Adjustments				
	\$	\$	\$	\$
	Combined	Water Terr. 1	Water Terr. 2	Sewer
	Operations	Operations	Operations	Operations
Operating Revenues	32,211,091	9,213,628	6,778,831	16,218,632
Less: Operating Expenses	25,654,584	8,446,711	5,116,823	12,091,050
Net Operating Income Before Taxes	6,556,507	766,917	1,662,008	4,127,582
Less: Annualized Interest Expense	1,972,386	314,087	490,258	1,168,041
Taxable Income - State	4,584,121	452,830	1,171,750	2,959,541
State Income Tax %	5.0%	5.0%	5.0%	5.0%
State Income Taxes	229,206	22,641	58,588	147,977
Less: State Income Taxes As Adjusted	(190,345)	(107,412)	300	(83,233)
ORS State Income Tax Adjustment #46	419,551	130,053	58,288	231,210
Taxable Income - Federal	4,354,915	430,189	1,113,162	2,811,564
Federal Income Taxes %	21.0%	21.0%	21.0%	21.0%
Federal Income Taxes	914,532	90,340	233,764	590,428
Add: Excess Deferred Income Taxes Amortization	(129,064)	(38,454)	(37,714)	(52,896)
Less: Federal Income Taxes As Adjusted	(888,536)	(467,026)	(36,516)	(384,994)
ORS Federal Income Tax Adjustment #45	1,674,004	518,912	232,566	922,526

Blue Granite Water Company
Cash Working Capital Allowance
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

After Accounting & Pro Forma Adjustments - ORS Traditional Adjustment

	\$	\$	\$	\$
Description	Combined Operations	Water Terr. 1 Operations	Water Terr. 2 Operations	Sewer Operations
Maintenance Expenses	14,785,383	5,236,127	2,215,910	7,333,346
General Expenses	4,655,382	1,599,542	1,031,021	2,024,819
Total Expenses for Computation	19,440,765	6,835,669	3,246,931	9,358,165
Allowable Rate	12.50%	12.50%	12.50%	12.50%
Computed Cash Working Capital	2,430,096	854,459	405,866	1,169,771
Less: Cash Working Capital - Application Per Books	1,680,231	502,580	338,134	839,517
ORS Cash Working Capital Adjustment #35a.	<u>749,865</u>	<u>351,879</u>	<u>67,732</u>	<u>330,254</u>

After Accounting & Pro Forma Adjustments - Company Mitigation Adjustment - Removing Purchased Water & Sewer

	\$	\$	\$	\$
Description	Combined Operations	Water Terr. 1 Operations	Water Terr. 2 Operations	Sewer Operations
Less: Purchased Water and Sewer	(8,424,930)	(3,531,463)	(837,840)	(4,055,627)
Allowable Rate	12.50%	12.50%	12.50%	12.50%
ORS Cash Working Capital Adjustment #35b.	<u>(1,053,116)</u>	<u>(441,433)</u>	<u>(104,730)</u>	<u>(506,953)</u>

Blue Granite Water Company
Return on Equity
Docket No. 2019-290-WS
Capital Structure at June 30, 2019

Combined Operations

Description	Capital Structure	Ratio	Application Per Books (Note 1)				After Accounting and Pro forma Adjustments				After Proposed Adjustments			
			Rate	Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate	Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate	Base
Long-Term Debt	\$ 251,780,649	47.09%	\$ 30,211,785		5.73%	2.70%	\$ 1,731,135	\$ 34,422,102		5.73%	2.70%	\$ 1,972,386	\$ 34,422,102	
Common Equity	282,859,007	52.91%	33,945,753		-4.40%	-2.33%	(1,492,639)	38,676,438		-7.05%	-3.73%	(2,727,999)	38,676,438	
Totals	\$ 534,639,656	100.00%	\$ 64,157,538			0.37%	\$ 238,496	\$ 73,098,540			-1.03%	\$ (755,613)	\$ 73,098,540	

Water Terr. 1 Operations

Description	Capital Structure	Ratio	Application Per Books (Note 1)				After Accounting and Pro forma Adjustments				After Proposed Adjustments			
			Rate	Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate	Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate	Base
Long-Term Debt	\$ 251,780,649	47.09%	\$ 4,872,256		5.73%	2.70%	\$ 279,180	\$ 5,481,446		5.73%	2.70%	\$ 314,087	\$ 5,481,446	
Common Equity	282,859,007	52.91%	5,474,433		-34.09%	-18.04%	(1,866,046)	6,158,914		-25.55%	-13.52%	(1,573,793)	6,158,914	
Totals	\$ 534,639,656	100.00%	\$ 10,346,689			-15.34%	\$ (1,586,866)	\$ 11,640,360			-10.82%	\$ (1,259,706)	\$ 11,640,360	

Water Terr. 2 Operations

Description	Capital Structure	Ratio	Application Per Books (Note 1)				After Accounting and Pro forma Adjustments				After Proposed Adjustments			
			Rate	Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate	Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate	Base
Long-Term Debt	\$ 251,780,649	47.09%	\$ 8,218,417		5.73%	2.70%	\$ 470,915	\$ 8,555,994		5.73%	2.70%	\$ 490,258	\$ 8,555,994	
Common Equity	282,859,007	52.91%	9,234,156		3.25%	1.72%	299,815	9,613,456		0.44%	0.23%	42,219	9,613,456	
Totals	\$ 534,639,656	100.00%	\$ 17,452,573			4.42%	\$ 770,730	\$ 18,169,450			2.93%	\$ 532,477	\$ 18,169,450	

Sewer Operations

Description	Capital Structure	Ratio	Application Per Books (Note 1)				After Accounting and Pro forma Adjustments				After Proposed Adjustments			
			Rate	Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate	Base	Embedded Cost/Return	Overall Cost/Return	Income For Return	Rate	Base
Long-Term Debt	\$ 251,780,649	47.09%	\$ 17,121,112		5.73%	2.70%	\$ 981,040	\$ 20,384,663		5.73%	2.70%	\$ 1,168,041	\$ 20,384,663	
Common Equity	282,859,007	52.91%	19,237,164		0.38%	0.20%	73,592	22,904,067		-5.22%	-2.76%	(1,196,425)	22,904,067	
Totals	\$ 534,639,656	100.00%	\$ 36,358,276			2.90%	\$ 1,054,632	\$ 43,288,730			-0.06%	\$ (28,384)	\$ 43,288,730	

Note 1: The interest expense calculations reflect ORS's capital structure ratios and cost of debt applied to the Company's per book numbers.

Blue Granite Water Company
Operating Experience, Rate Base and Rate of Return - Company's Proposed Rate Increase
Combined Operations - Water and Sewer Service Territory 1 & 2
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

Description	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$		(3) After Accounting & Pro Forma Present \$	(4) Company's Proposed Increase \$	(5) After Proposed Increase \$
<u>Operating Revenues</u>						
Service Revenues - Water	11,868,922	280,468	(1)	12,149,390	5,462,340	(40) 17,611,730
Service Revenues - Sewer	10,929,933	504,321	(2)	11,434,254	6,363,717	(41) 17,797,971
Miscellaneous Revenues	445,566	4,043	(3)	449,609	85,668	(42) 535,277
Uncollectible Accounts	(250,471)	(7,644)	(4)	(258,115)	(126,032)	(43) (384,147)
<u>Total Operating Revenues</u>	22,993,950	781,188		23,775,138	11,785,693	35,560,831
<u>Maintenance Expenses</u>						
Salaries and Wages	2,670,783	(1,344,062)	(5)	1,326,721	0	1,326,721
Capitalized Time	(333,423)	73,614	(6)	(259,809)	0	(259,809)
Purchased Power	771,660	0	(7)	771,660	0	771,660
Purchased Sewer and Water - Pass Through	5,266,724	3,158,206	(8)	8,424,930	0	8,424,930
Maintenance and Repair	3,031,412	928,551	(9)	3,959,963	0	3,959,963
Maintenance Testing	314,455	(174,416)	(10)	140,039	0	140,039
Meter Reading	112,607	(72,815)	(11)	39,792	0	39,792
Chemicals	360,819	(99,043)	(12)	261,776	0	261,776
Transportation	238,985	(118,674)	(13)	120,311	0	120,311
Operating Exp. Charged to Plant	0	0		0	0	0
<u>Total Maintenance Expenses</u>	12,434,022	2,351,361		14,785,383	0	14,785,383
<u>General Expenses</u>						
Salaries and Wages	871,623	538,807	(14)	1,410,430	0	1,410,430
Office Supplies & Other Office Exp	1,980,731	(1,564,724)	(15)	416,007	0	416,007
Regulatory Commission Exp.	138,293	56,437	(16)	194,730	0	194,730
Pension & Other Benefits	779,623	(165,041)	(17)	614,582	0	614,582
Rent	97,022	84,839	(18)	181,861	0	181,861
Insurance	348,323	163,371	(19)	511,694	0	511,694
Office Utilities	491,952	(98,634)	(20)	393,318	0	393,318
Outside Services - Other	1,062,984	(196,091)	(21)	866,893	0	866,893
Non-Utility Misc Expense	442,691	(442,691)	(22)	0	0	0
Miscellaneous	61,301	4,566	(23)	65,867	0	65,867
<u>Total General Expenses</u>	6,274,543	(1,619,161)		4,655,382	0	4,655,382
<u>Other Expenses</u>						
Depreciation	1,788,412	1,494,488	(24)	3,282,900	0	3,282,900
Amortization of CIAC	(406,510)	(538,846)	(25)	(945,356)	0	(945,356)
Taxes Other Than Income	3,499,587	356,303	(26)	3,855,890	62,808	(44) 3,918,698
Income Taxes - Federal	(431,984)	(456,552)	(27)	(888,536)	2,338,715	(45) 1,450,179
Income Taxes - State	(185,161)	(5,184)	(28)	(190,345)	586,145	(46) 395,800
Sale of Utility Property	(20,253)	20,253	(29)	0	0	0
Amort. Investment Tax Credit	(8,854)	0		(8,854)	0	(8,854)
Amortization of PAA	(15,713)	0		(15,713)	0	(15,713)
<u>Total Other Expenses</u>	4,219,524	870,462		5,089,986	2,987,668	8,077,654
<u>Total Operating Expenses</u>	22,928,089	1,602,662		24,530,751	2,987,668	27,518,419
<u>Net Operating Income</u>	65,861	(821,474)		(755,613)	8,798,025	8,042,412
<u>Other Income (Expense)</u>						
Customer Growth	0	0	(30)	0	124,100	(47) 124,100
Interest During Construction	(172,635)	172,635	(31)	0	0	0
<u>Net Income (Loss) For Return</u>	238,496	(994,109)		(755,613)	8,922,125	8,166,512
<u>Original Cost Rate Base:</u>						
Gross Plant In Service	103,656,698	415,288	(32)	104,071,986	0	104,071,986
Accumulated Depreciation	(16,190,845)	3,337,761	(33)	(12,853,084)	0	(12,853,084)
Net Plant In Service	87,465,853	3,753,049		91,218,902	0	91,218,902
Deferred Charges	0	4,827,755	(34)	4,827,755	0	4,827,755
Cash Working Capital	1,680,231	(303,251)	(35)	1,376,980	0	1,376,980
Contributions In Aid of Construction	(20,300,003)	1,128,095	(36)	(19,171,908)	0	(19,171,908)
Accumulated Deferred Income Taxes	(3,522,916)	0		(3,522,916)	0	(3,522,916)
Customer Deposits	(334,350)	0		(334,350)	0	(334,350)
Plant Held for Future Use	0	0	(37)	0	0	0
Plant Acquisition Adjustment	(831,277)	0		(831,277)	0	(831,277)
Excess Book Value	0	(464,646)	(38)	(464,646)	0	(464,646)
<u>Total Rate Base</u>	64,157,538	8,941,002		73,098,540	0	73,098,540
<u>Return on Rate Base</u>	0.37%			-1.03%		11.17%
<u>Operating Margin</u>	-6.91%			-11.47%		17.42%
<u>Interest Expense</u>	1,828,315	144,071	(39)	1,972,386	0	1,972,386

Blue Granite Water Company
Operating Experience, Rate Base and Rate of Return - Company's Proposed Rate Increase
Water Service Territory 1
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

<u>Description</u>	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) After Accounting & Pro Forma Present \$	(4) Company's Proposed Increase \$	(5) After Proposed Increase \$
<u>Operating Revenues</u>					
Service Revenues - Water	6,307,416	272,372 (1)	6,579,788	3,519,666 (40)	10,099,454
Miscellaneous Revenues	84,940	(290) (3)	84,650	12,210 (42)	96,860
Uncollectible Accounts	(62,865)	(2,933) (4)	(65,798)	(35,197) (43)	(100,995)
<u>Total Operating Revenues</u>	6,329,491	269,149	6,598,640	3,496,679	10,095,319
<u>Maintenance Expenses</u>					
Salaries and Wages	842,497	(484,042) (5)	358,455	0	358,455
Capitalized Time	(101,347)	25,726 (6)	(75,621)	0	(75,621)
Purchased Power	72,278	0 (7)	72,278	0	72,278
Purchased Water - Pass Through	2,859,944	671,519 (8)	3,531,463	0	3,531,463
Maintenance and Repair	628,927	578,060 (9)	1,206,987	0	1,206,987
Maintenance Testing	40,064	(33,212) (10)	6,852	0	6,852
Meter Reading	31,148	(44,196) (11)	(13,048)	0	(13,048)
Chemicals	132,225	(25,360) (12)	106,865	0	106,865
Transportation	84,341	(42,445) (13)	41,896	0	41,896
Operating Exp. Charged to Plant	0	0	0	0	0
<u>Total Maintenance Expenses</u>	4,590,077	646,050	5,236,127	0	5,236,127
<u>General Expenses</u>					
Salaries and Wages	308,198	191,693 (14)	499,891	0	499,891
Office Supplies & Other Office Exp	788,991	(644,604) (15)	144,387	0	144,387
Regulatory Commission Exp.	48,900	20,090 (16)	68,990	0	68,990
Pension & Other Benefits	275,491	(94,905) (17)	180,586	0	180,586
Rent	25,824	30,338 (18)	56,162	0	56,162
Insurance	123,183	58,173 (19)	181,356	0	181,356
Office Utilities	167,049	(35,121) (20)	131,928	0	131,928
Outside Services - Other	374,956	(61,206) (21)	313,750	0	313,750
Non-Utility Misc Expense	156,637	(156,637) (22)	0	0	0
Miscellaneous	21,275	1,217 (23)	22,492	0	22,492
<u>Total General Expenses</u>	2,290,504	(690,962)	1,599,542	0	1,599,542
Depreciation	464,276	539,028 (24)	1,003,304	0	1,003,304
Amortization of CIAC	(164,957)	(467,848) (25)	(632,805)	0	(632,805)
Taxes Other Than Income	1,111,788	132,546 (26)	1,244,334	18,623 (44)	1,262,957
Income Taxes - Federal	(154,415)	(312,611) (27)	(467,026)	693,872 (45)	226,846
Income Taxes - State	(99,023)	(8,389) (28)	(107,412)	173,903 (46)	66,491
Sale of Utility Property	(29,922)	29,922 (29)	0	0	0
Amort. Investment Tax Credit	(4,214)	0	(4,214)	0	(4,214)
Amortization of PAA	(13,504)	0	(13,504)	0	(13,504)
<u>Total Other Expenses</u>	1,110,029	(87,352)	1,022,677	886,398	1,909,075
<u>Total Operating Expenses</u>	7,990,610	(132,264)	7,858,346	886,398	8,744,744
<u>Net Operating Income</u>	(1,661,119)	401,413	(1,259,706)	2,610,281	1,350,575
Customer Growth	0	0 (30)	0	27,541 (47)	27,541
Interest During Construction	(74,253)	74,253 (31)	0	0	0
<u>Net Income (Loss) For Return</u>	(1,586,866)	327,160	(1,259,706)	2,637,822	1,378,116
<u>Original Cost Rate Base:</u>					
Gross Plant In Service	25,669,070	1,152,082 (32)	26,821,152	0	26,821,152
Accumulated Depreciation	(5,359,140)	1,188,052 (33)	(4,171,088)	0	(4,171,088)
Net Plant In Service	20,309,930	2,340,134	22,650,064	0	22,650,064
Deferred Charges	0	(168,200) (34)	(168,200)	0	(168,200)
Cash Working Capital	502,580	(89,554) (35)	413,026	0	413,026
Contributions In Aid of Construction	(8,780,986)	(565,679) (36)	(9,346,665)	0	(9,346,665)
Accumulated Deferred Income Taxes	(964,199)	0	(964,199)	0	(964,199)
Customer Deposits	(105,884)	0	(105,884)	0	(105,884)
Plant Held for Future Use	0	0 (37)	0	0	-
Plant Acquisition Adjustment	(614,752)	0	(614,752)	0	(614,752)
Excess Book Value	0	(223,030) (38)	(223,030)	0	(223,030)
<u>Total Rate Base</u>	10,346,689	1,293,671	11,640,360	0	11,640,360
<u>Return on Rate Base</u>	-15.34%		-10.82%		11.84%
<u>Operating Margin</u>	-33.96%		-23.85%		10.54%
<u>Interest Expense</u>	562,651	(248,564) (39)	314,087	0	314,087

Blue Granite Water Company
Operating Experience, Rate Base and Rate of Return - Company's Proposed Rate Increase
Water Service Territory 2
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

<u>Description</u>	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) After Accounting & Pro Forma Present \$	(4) Company's Proposed Increase \$	(5) After Proposed Increase \$
<u>Operating Revenues</u>					
Service Revenues - Water	5,561,506	8,096	(1) 5,569,602	1,942,674	(40) 7,512,276
Miscellaneous Revenues	115,189	0	(3) 115,189	11,495	(42) 126,684
Uncollectible Accounts	(77,873)	(101)	(4) (77,974)	(27,198)	(43) (105,172)
<u>Total Operating Revenues</u>	5,598,822	7,995	5,606,817	1,926,971	7,533,788
<u>Maintenance Expenses</u>					
Salaries and Wages	668,288	(264,947)	(5) 403,341	0	403,341
Capitalized Time	(71,806)	12,190	(6) (59,616)	0	(59,616)
Purchased Power	180,096	0	(7) 180,096	0	180,096
Purchased Water - Pass Through	761,771	76,069	(8) 837,840	0	837,840
Maintenance and Repair	440,252	261,585	(9) 701,837	0	701,837
Maintenance Testing	97,005	(48,101)	(10) 48,904	0	48,904
Meter Reading	45,376	(9,488)	(11) 35,888	0	35,888
Chemicals	54,966	(14,317)	(12) 40,649	0	40,649
Transportation	52,482	(25,511)	(13) 26,971	0	26,971
Operating Exp. Charged to Plant	0	0	0	0	0
<u>Total Maintenance Expenses</u>	2,228,430	(12,520)	2,215,910	0	2,215,910
<u>General Expenses</u>					
Salaries and Wages	192,149	115,859	(14) 308,008	0	308,008
Office Supplies & Other Office Exp	270,298	(175,329)	(15) 94,969	0	94,969
Regulatory Commission Exp.	30,488	12,104	(16) 42,592	0	42,592
Pension & Other Benefits	172,239	(5,031)	(17) 167,208	0	167,208
Rent	38,829	17,965	(18) 56,794	0	56,794
Insurance	76,740	35,004	(19) 111,744	0	111,744
Office Utilities	110,492	(21,368)	(20) 89,124	0	89,124
Outside Services - Other	235,453	(90,834)	(21) 144,619	0	144,619
Non-Utility Misc Expense	97,387	(97,387)	(22) 0	0	0
Miscellaneous	14,337	1,626	(23) 15,963	0	15,963
<u>Total General Expenses</u>	1,238,412	(207,391)	1,031,021	0	1,031,021
Depreciation	408,578	389,640	(24) 798,218	0	798,218
Amortization of CIAC	(7,201)	(25,453)	(25) (32,654)	0	(32,654)
Taxes Other Than Income	992,688	103,809	(26) 1,096,497	10,304	(44) 1,106,801
Income Taxes - Federal	(33,770)	(2,746)	(27) (36,516)	382,375	(45) 345,859
Income Taxes - State	23,613	(23,313)	(28) 300	95,834	(46) 96,134
Sale of Utility Property	(18,297)	18,297	(29) 0	0	0
Amort. Investment Tax Credit	0	0	0	0	0
Amortization of PAA	1,564	0	1,564	0	1,564
<u>Total Other Expenses</u>	1,367,175	460,234	1,827,409	488,513	2,315,922
<u>Total Operating Expenses</u>	4,834,017	240,323	5,074,340	488,513	5,562,853
<u>Net Operating Income</u>	764,805	(232,328)	532,477	1,438,458	1,970,935
Customer Growth	0	0	(30) 0	1,782	(47) 1,782
Interest During Construction	(5,925)	5,925	(31) 0	0	0
<u>Net Income (Loss) For Return</u>	770,730	(238,253)	532,477	1,440,240	1,972,717
<u>Original Cost Rate Base:</u>					
Gross Plant In Service	22,208,337	1,053,999	(32) 23,262,336	0	23,262,336
Accumulated Depreciation	(3,277,394)	342,050	(33) (2,935,344)	0	(2,935,344)
Net Plant In Service	18,930,943	1,396,049	20,326,992	0	20,326,992
Deferred Charges	0	(601,264)	(34) (601,264)	0	(601,264)
Cash Working Capital	338,134	(36,998)	(35) 301,136	0	301,136
Contributions In Aid of Construction	(351,720)	(40,910)	(36) (392,630)	0	(392,630)
Accumulated Deferred Income Taxes	(1,239,587)	0	(1,239,587)	0	(1,239,587)
Customer Deposits	(90,717)	0	(90,717)	0	(90,717)
Plant Held for Future Use	0	0	(37) 0	0	0
Plant Acquisition Adjustment	(134,480)	0	(134,480)	0	(134,480)
Excess Book Value	0	0	(38) 0	0	0
<u>Total Rate Base</u>	17,452,573	716,877	18,169,450	0	18,169,450
<u>Return on Rate Base</u>	4.42%		2.93%		10.86%
<u>Operating Margin</u>	4.29%		0.75%		19.68%
<u>Interest Expense</u>	530,582	(40,324)	(39) 490,258	0	490,258

Blue Granite Water Company
Operating Experience, Rate Base and Rate of Return - Company's Proposed Rate Increase
Sewer Service Territory 1 and 2
Docket No. 2019-290-WS
For the Test Year Ended June 30, 2019

<u>Description</u>	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) After Accounting & Pro Forma Present \$	(4) Company's Proposed Increase \$	(5) After Proposed Increase \$
<u>Operating Revenues</u>					
Service Revenues - Sewer	10,929,933	504,321 (2)	11,434,254	6,363,717 (41)	17,797,971
Miscellaneous Revenues	245,437	4,333 (3)	249,770	61,963 (42)	311,733
Uncollectible Accounts	(109,733)	(4,610) (4)	(114,343)	(63,637) (43)	(177,980)
<u>Total Operating Revenues</u>	11,065,637	504,044	11,569,681	6,362,043	17,931,724
<u>Maintenance Expenses</u>					
Salaries and Wages	1,159,998	(595,073) (5)	564,925	0	564,925
Capitalized Time	(160,270)	35,698 (6)	(124,572)	0	(124,572)
Purchased Power	519,286	0 (7)	519,286	0	519,286
Purchased Sewer	1,645,009	2,410,618 (8)	4,055,627	0	4,055,627
Maintenance and Repair	1,962,233	88,906 (9)	2,051,139	0	2,051,139
Maintenance Testing	177,386	(93,103) (10)	84,283	0	84,283
Meter Reading	36,083	(19,131) (11)	16,952	0	16,952
Chemicals	173,628	(59,366) (12)	114,262	0	114,262
Transportation	102,162	(50,718) (13)	51,444	0	51,444
Operating Exp. Charged to Plant	0	0	0	0	0
<u>Total Maintenance Expenses</u>	5,615,515	1,717,831	7,333,346	0	7,333,346
<u>General Expenses</u>					
Salaries and Wages	371,276	231,255 (14)	602,531	0	602,531
Office Supplies & Other Office Exp	921,442	(744,791) (15)	176,651	0	176,651
Regulatory Commission Exp.	58,905	24,243 (16)	83,148	0	83,148
Pension & Other Benefits	331,893	(65,105) (17)	266,788	0	266,788
Rent	32,369	36,536 (18)	68,905	0	68,905
Insurance	148,400	70,194 (19)	218,594	0	218,594
Office Utilities	214,411	(42,145) (20)	172,266	0	172,266
Outside Services - Other	452,575	(44,051) (21)	408,524	0	408,524
Non-Utility Misc Expense	188,667	(188,667) (22)	0	0	0
Miscellaneous	25,689	1,723 (23)	27,412	0	27,412
<u>Total General Expenses</u>	2,745,627	(720,808)	2,024,819	0	2,024,819
Depreciation	915,558	565,820 (24)	1,481,378	0	1,481,378
Amortization of CIAC	(234,352)	(45,545) (25)	(279,897)	0	(279,897)
Taxes Other Than Income	1,395,111	119,948 (26)	1,515,059	33,881 (44)	1,548,940
Income Taxes - Federal	(243,799)	(141,195) (27)	(384,994)	1,262,468 (45)	877,474
Income Taxes - State	(109,751)	26,518 (28)	(83,233)	316,408 (46)	233,175
Sale of Utility Property	27,966	(27,966) (29)	0	0	0
Amort. Investment Tax Credit	(4,640)	0	(4,640)	0	(4,640)
Amortization of PAA	(3,773)	0	(3,773)	0	(3,773)
<u>Total Other Expenses</u>	1,742,320	497,580	2,239,900	1,612,757	3,852,657
<u>Total Operating Expenses</u>	10,103,462	1,494,603	11,598,065	1,612,757	13,210,822
<u>Net Operating Income</u>	962,175	(990,559)	(28,384)	4,749,286	4,720,902
Customer Growth	0	0 (30)	0	94,777 (47)	94,777
Interest During Construction	(92,457)	92,457 (31)	0	0	0
<u>Net Income (Loss) For Return</u>	1,054,632	(1,083,016)	(28,384)	4,844,063	4,815,679
<u>Original Cost Rate Base:</u>					
Gross Plant In Service	55,779,291	(1,790,793) (32)	53,988,498	0	53,988,498
Accumulated Depreciation	(7,554,311)	1,807,659 (33)	(5,746,652)	0	(5,746,652)
Net Plant In Service	48,224,980	16,866	48,241,846	0	48,241,846
Deferred Charges	0	5,597,219 (34)	5,597,219	0	5,597,219
Cash Working Capital	839,517	(176,699) (35)	662,818	0	662,818
Contributions In Aid of Construction	(11,167,297)	1,734,684 (36)	(9,432,613)	0	(9,432,613)
Accumulated Deferred Income Taxes	(1,319,130)	0	(1,319,130)	0	(1,319,130)
Customer Deposits	(137,749)	0	(137,749)	0	(137,749)
Plant Held for Future Use	0	0 (37)	0	0	-
Plant Acquisition Adjustment	(82,045)	0	(82,045)	0	(82,045)
Excess Book Value	0	(241,616) (38)	(241,616)	0	(241,616)
<u>Total Rate Base</u>	36,358,276	6,930,454	43,288,730	0	43,288,730
<u>Return on Rate Base</u>	2.90%		-0.07%		11.12%
<u>Operating Margin</u>	2.89%		-10.34%		20.34%
<u>Interest Expense</u>	735,082	432,959 (39)	1,168,041	0	1,168,041